



Prospectus

to acquire ordinary shares in Talison Lithium Limited



Talison Lithium

Financial Adviser



Australian Lead Manager



MACQUARIE

Important information

Offer

The Offer contained in this Prospectus is an invitation by Talison Lithium Limited (ACN 140 122 078) and Resource Capital Fund IV L.P. to eligible investors to apply for Shares.

Lodgement and Listing

This Prospectus is dated 23 November 2009 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. Within seven days after the date of this Prospectus, the Company will apply for admission to the official list of ASX and quotation of the Shares on ASX.

Expiry Date

No Shares will be issued or granted on the basis of this Prospectus later than 13 months after the date of the Prospectus.

Investment Advice

The information in this Prospectus is not a financial product and does not take into account your investment objectives, financial situation or particular needs. You should read this Prospectus in its entirety before deciding whether to complete and lodge an Application Form and, in particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of the Company. You should consider these factors in light of your personal circumstances, including financial and taxation issues. If you have any questions, you should seek professional advice from your stockbroker, accountant or other professional adviser before deciding to invest. Key risk factors that should be considered by potential investors are outlined in Section 7.

Selling Restrictions

The Australian Offer does not constitute a public offer in any jurisdiction other than Australia. This Prospectus does not constitute an offer to any person to whom, or an offer in any place in which, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to Section 3.17.

No action has been taken to register or qualify this Prospectus, the Canadian Prospectus, the Offer Shares or the Offer, or otherwise permit a public offering of Shares, in any jurisdiction outside Australia or Canada. This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States. The Offer Shares have not been, and will not be, registered under the United States Securities Act and may not be offered, sold or resold in the U.S. except in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and applicable U.S. state securities laws. Neither this Prospectus nor the accompanying Application Form may be sent to investors in the U.S. or otherwise distributed in the U.S. or to U.S. persons.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Australian Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been authorised by the Company, the Directors, the Selling Shareholder, the Australian Lead Manager, the Canadian Syndicate or any other person in connection with the Australian Offer.

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Certain risk factors are set out in Section 7. These and other factors could cause actual results to differ materially from those expressed in any forward looking statement made by, or on behalf of, the Company.

The Company disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

No Distribution in Canada or to Canadian Residents

This Prospectus is not available for distribution in Canada, to persons in Canada or to Canadian residents.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of lodgement of this Prospectus (Exposure Period) with ASIC. The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the acceptance of Applications.

Applications under this Prospectus received during the Exposure Period will not be processed until after expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period. All Applications received during the Exposure Period will be treated as if they were simultaneously received on the date on which the Retail Offer opens. If the Exposure Period is extended by ASIC, Applications will not be processed until after expiry of the extended Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian residents, without the Application Form, at the Company's website at www.talisonlithium.com.

Electronic Prospectus

This Prospectus is available in electronic form at www.talisonlithium.com. This Prospectus is only available in electronic form to residents of Australia in Australia. It is not available in Canada or to persons residing in Canada or the United States or to persons residing in the United States. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

During the Offer, a paper copy of this Prospectus (including an Application Form) is available free of charge to any person in Australia by telephoning the Talison Offer Information Line on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday between 8.30 am and 5.00 pm (WST).

Applications for Offer Shares

Applications for Offer Shares may only be made on the appropriate Application Form attached to this Prospectus in its paper copy form or in its soft copy form which must be downloaded in its entirety from www.talisonlithium.com. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not depict assets owned or used by Talison Lithium unless otherwise indicated. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Privacy

If you apply for Offer Shares, you will provide personal information to the Company and the Australian Registrar. The Company and the Australian Registrar collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Tax and company law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

The Company and the Australian Registrar may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Australian Lead Manager in order to assess your Application;
- the Share Registry for ongoing administration of the register; and
- the printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail.

The information may also be disclosed to members of the Group and to their agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by telephoning or writing to the Company through the Australian Registrar, or by telephoning the Talison Lithium Offer Information Line on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

Glossary

Defined terms and abbreviations used in this Prospectus have the meanings set out in the Glossary in Section 13.

Company Website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference.

Currency

Unless otherwise stated, the exchange rates used in this Prospectus are the exchange rates on 20 November 2009, the latest practicable date prior to publication of this document, as follows:

AS\$/U.S.\$ 1/0.9145

AS\$/C\$ 1/0.9788

Financial Amounts

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

Pre-Offer Reorganisation

Unless otherwise stated, the information in this Prospectus assumes that the Pre-Offer Reorganisation which takes effect prior to completion of the Offer, has been completed. For further information relating to the Pre-Offer Reorganisation see Section 5.9.

Dates and Times

All references in this Prospectus to dates and times refer to Western Standard Time (Perth time) unless otherwise stated.

Questions

If you have any questions in relation to the Australian Offer, please contact the Talison Offer Information Line on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia) Monday to Friday between 8.30 am and 5.00 pm (WST).



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Greenbushes Lithium Operations

Summary of the Offer

Indicative and Important Dates

Prospectus Date	Monday, 23 November 2009
Retail Offer opens	7.00 am WST, Tuesday, 1 December 2009
Retail Offer closes	5.00 pm WST, Wednesday, 9 December 2009
Australian Institutional Offer and Global Bookbuild opens	9.00 am WST, Wednesday, 9 December 2009
Australian Institutional Offer and Global Bookbuild closes	7.00 am WST, Thursday, 10 December 2009
Final Price announced	Friday, 11 December 2009
Settlement of Australian Institutional Offer	Wednesday, 16 December 2009
Completion of the Pre-Offer Reorganisation	Thursday, 17 December 2009
Allotment, issue and transfer of Shares under the Offer	Friday, 18 December 2009
Despatch of holding statements and any refund of Application Monies if required	Friday, 18 December 2009
Shares expected to commence trading on ASX	Friday, 18 December 2009

These dates are indicative only. The Company, with the consent of the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate reserves the right to vary the times and dates of the Offer, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of this Prospectus or any Applicants. Investors are therefore encouraged to submit their Application Forms as soon as possible after the Australian Offer opens.



Greenbushes Lithium Operations

Offer Statistics

Indicative Price Range ¹	A\$4.10 – A\$5.10
Number of Offer Shares available under the Offer ²	35 million – 38.5 million
Total number of Shares on issue at completion of the Offer	85 million
Total number of Shares on issue if the Over-Allotment Option is exercised in full ³	87 million
Gross proceeds raised under the Offer ⁴	A\$143.5 million – A\$196.4 million
Indicative Market capitalisation ⁵	A\$348.5 million – A\$433.5 million
Pro-Forma Net Cash (as at 30 September 2009) ⁶	A\$40.0 million – A\$72.8 million
Indicative Enterprise Value ⁷	A\$308.5 million – A\$360.7 million

- 1. The Indicative Price Range is indicative only. The Final Price may be within, above or below this range. The Indicative Price Range may be varied at any time by the Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate.*
- 2. Assumes for the higher number in the range that the Selling Shareholder elects to sell down 3.5 million Existing Shares in the Company (being the highest potential sell down) and assumes for the lower number in the range that there is no sell down by the Selling Shareholder.*
- 3. The Company has granted the Canadian Syndicate an option to purchase up to an additional 2 million New Shares at the Final Price, exercisable within 30 days after the date of issue and transfer of the Offer Shares.*
- 4. The lower number in the range is based on a Final Price of A\$4.10 and the number of Offer Shares to be issued or transferred under the Offer being 35 million Shares and the higher number in the range is based on a Final Price of A\$5.10 and the number of Offer Shares to be issued or transferred being 38.5 million Shares. The gross proceeds raised under the Offer may be within, above or below this range. The Company will not receive any of the proceeds relating to the Existing Shares sold by the Selling Shareholder.*
- 5. Based on the Indicative Price Range and the number of Shares on issue at completion of the Offer (prior to any exercise of the Over-Allotment Option).*
- 6. Based on the Indicative Price Range and calculated by subtracting pro-forma interest bearing liabilities from the pro-forma cash balance following the Offer. The lower number in the range assumes New Shares are issued at A\$4.10 and corresponds to the pro forma net cash balance outlined in Section 8.9. The higher number in the range assumes New Shares are issued at A\$5.10 and is adjusted for incremental offer expenses.*
- 7. Based on the indicative market capitalisation minus pro-forma net cash as at 30 September 2009.*



Chairman's Letter

23 November 2009

Dear Investor

On behalf of the Board I invite you to become a shareholder in Talison Lithium, the only major global pure play lithium producer.

Lithium, which occurs both in a mineral form and in the brines found in some salt lakes, has a large range of traditional and high-tech uses both as a mineral and as a chemical compound. Lithium minerals are used directly in the manufacture of glass, ceramics, heat-proof cookware and lithium chemicals. Key uses of lithium chemicals are in batteries, pharmaceuticals, greases and aluminium smelting.

Talison Lithium and its predecessors have been mining and processing the lithium bearing mineral spodumene at Greenbushes near Perth, Western Australia since 1983. Management believes that the Greenbushes Lithium Operations host the world's largest known Ore Reserve of lithium minerals. In 2008, Talison Lithium produced approximately 69% of the world's lithium minerals representing approximately one quarter of the world's lithium production.

Talison Lithium produces two categories of lithium concentrates: technical-grade concentrates which have low iron content and are sold into the glass and ceramic markets; and a high-yielding chemical-grade lithium concentrate which is sold to processors for conversion into lithium chemicals which form the basis of lithium-ion batteries for laptop computers, mobile phone and electric cars. Technical-grade concentrates are sold directly and indirectly to multiple customers in Europe, China, Japan and the U.S.A, and chemical-grade concentrates are sold directly to a number of major Chinese lithium chemical processors to be converted into lithium chemicals.

The Board, along with a number of market commentators, believes that the future outlook for lithium demand appears positive. There are a number of opportunities for expanding demand in the technical application market from eco-friendly applications including the use of lithium in high-strength fibreglass for large wind turbine blades. The major growth sector for chemical-grade lithium will be the secondary battery market, including growth in batteries for consumer goods such as mobile phones and laptop computers. The most significant upside potential for lithium demand is in the mass production of electric vehicles using lithium rechargeable batteries.

The Greenbushes Lithium Operations were acquired by a group of private equity firms led by RCF in August 2007 as part of a larger acquisition of the Sons of Gwalia advanced minerals division which comprised both lithium and tantalum assets.

Talison Lithium is seeking to conduct an initial public offering and listing in both Australia and Canada.

An Offer of between 35 million and 38.5 million Shares is being made under this Prospectus and the Canadian Prospectus. The proceeds of the Offer will be used by the Company to retire existing senior debt to pay for the costs of the Offer and for general corporate purposes and additional working capital. Existing Shareholders are retaining a combined stake of between approximately 54.7% and 58.8% of Talison Lithium's issued capital on completion of the Offer, depending on the number of Existing Shares sold by the Selling Shareholder under the Offer.

On completion of the Offer, Talison Lithium is forecast to be in a strong financial position with a producing lithium mine, minimal debt and a cash balance to fund growth opportunities.

This Prospectus, and specifically Sections 5 and 7, contain detailed information about the Company and, importantly, the risks of an investment of this type. Some of the key risks relate to prices and volume of products sold, Talison Lithium's customer relationships may deteriorate, changes to regulations, conditions to the Pre-Offer Reorganisation and foreign exchange movements. I encourage you to read it in full before deciding whether to invest in Talison Lithium and look forward to welcoming you as a shareholder.

Yours sincerely



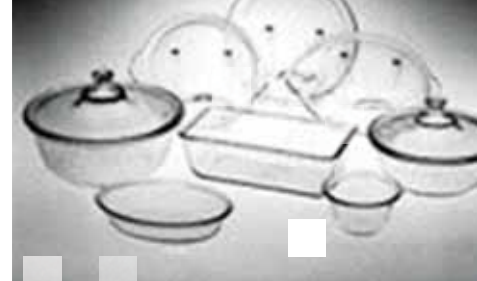
Peter Robinson
Chairman



Investment Highlights

- The only major global pure-play lithium producer
 - Established producer responsible for 23% of the world's lithium supply
 - Largest lithium minerals producer accounting for approximately 69% of world production
- Attractive market dynamics for lithium
 - Lithium demand estimated to grow by approximately 6% pa between 2008 and 2013 driven in part by batteries for electric vehicles
- Unique, high grade lithium deposit
 - Management believes the Greenbushes Lithium Operations host the world's highest grade spodumene deposit and largest lithium mineral Ore Reserve
- Diversified product mix and customer base
 - Range of products sold directly and indirectly to over 250 customers





- Well positioned to respond to growth opportunities
 - Potential for low cost incremental expansion of existing processing plants to meet forecast demand growth
 - Potential to leverage lithium industry experience in the assessment of growth opportunities
- Strong balance sheet
 - Post the Offer, Talison Lithium will have significant cash to fund growth opportunities
- Proven leadership team
 - Experienced management team with leading knowledge of the lithium market
- Supportive Shareholders
 - As part of the Offer, Talison Lithium's major Shareholder is only selling up to a maximum of 3.5 million Shares. Existing Shareholders will retain a combined stake of between approximately 55% and 59% post the Offer



Key Risk Factors

There are risks associated with investing in Talison Lithium, including risks associated with Talison Lithium's business and risks associated with investing in the stock market generally. Some of these risks may have a material impact on Talison Lithium's financial performance or position.

Key risks include, but are not limited to, the following:

- Future prices that Talison Lithium obtains for sales of lithium concentrate may fall;
- Decline in the volume of lithium concentrate sold by Talison Lithium;
- Changes to Chinese regulations or policies that impact on Talison Lithium's ability to sell its chemical-grade lithium concentrate in China;
- Foreign exchange movements may adversely affect Talison Lithium's financial position and operating results;
- Talison Lithium will be required to expand its Ore Reserves if it wishes to extend its current 14 year life of mine estimate;
- Talison Lithium's relationships with its major customers may deteriorate;
- Talison Lithium may be adversely affected by the commencement of tantalum or other mineral mining or exploration activities at Greenbushes pursuant to the Pre-Offer Reorganisation agreements;
- The Greenbushes Lithium Operations are subject to all of the hazards and risks normally encountered in mining and processing operations;
- Tonnes and grades of Mineral Resources and Mineral Ore Reserves are estimates only and subject to change. Actual results may vary; and
- Talison Lithium's activities are subject to various laws and regulations and require various permits and licences.

Before deciding whether to apply for Shares, potential investors should read this Prospectus in its entirety including Section 7 which provides further information on key risks.



Investment Overview

01



1. Investment Overview

The information set out in this section is an overview of Talison Lithium. It should be read in conjunction with the information contained in the other sections of this Prospectus.

1.1 Overview of the Company

Talison Lithium is a leading global producer of lithium. Talison Lithium mines and processes the lithium bearing mineral spodumene at the Greenbushes Lithium Operations. Management believes the Greenbushes Lithium Operations host the world's largest known lithium mineral Ore Reserve. In 2008, Talison Lithium produced approximately 69% of the world's lithium minerals, representing approximately one quarter of the world's lithium supply. Talison Lithium produces a range of lithium concentrates which are distributed to a global customer base.

Geographically located in relatively close proximity to the rapidly growing Asian markets, Talison Lithium also has a global business with a unique product offering of technical-grade and chemical-grade lithium concentrates that are suitable for a wide variety of industrial and specialty applications. Talison Lithium continually works with its extensive customer network to refine and develop its lithium concentrates to meet the needs of end users.

The Company's principal objective is to grow shareholder value by:

- leveraging the competitive advantages from the Greenbushes Lithium Operations and the skills of its workforce;
- building on Talison Lithium's global market position;
- further enhancing the efficiency of the Greenbushes Lithium Operations;
- ensuring sufficient Ore Reserves have been defined to meet both current and anticipated future demand;
- responding rapidly to growth opportunities;
- maintaining a healthy, safe and environmentally responsible workplace to support a long-term, sustainable operation; and
- strengthening the Company's balance sheet by repaying all existing senior debt.

More information on Talison Lithium's business is contained in Section 5.

1.2 The Greenbushes Lithium Operations

The Greenbushes Lithium Operations are located directly south and immediately adjacent to the town of Greenbushes, approximately 250 km south of Perth, Western Australia and 90 km south east of the Port of Bunbury, a major bulk handling port, in the south-west of Western Australia.

Location of the Greenbushes Lithium Operations



The Greenbushes ore body is a highly mineralised zoned pegmatite with a strike length of more than 3 km. Management believes that the Greenbushes Lithium Operations Ore Reserve is unique among known lithium deposits in that it contains approximately 50% spodumene (a lithium bearing mineral containing approximately 8% lithium oxide (Li_2O)). The Greenbushes Lithium Operations currently have delineated Ore Reserves of 10Mt at 3.9% Li_2O . Management believes that this is the world's largest known lithium Ore Reserve. The delineated Ore Reserve at the Greenbushes Lithium Operations is estimated to be sufficient for approximately 14 years of mine life.

Management believes that there is scope to further increase lithium Ore Reserves and extend mine life at the Greenbushes Lithium Operations with additional drilling to convert Inferred Mineral Resources to Indicated Mineral Resource status and further opportunities exist to either increase production or extend mine life with additional exploration drilling. In addition, the orebody remains open both along strike and at depth.

Summary of Estimated Mineral Resources at the Greenbushes Lithium Operations as at 30 June 2009

Category	Tonnage (Mt)	Li ₂ O Grade (%)
Total Measured Resource	0.11	4.1
Total Indicated Resource	22.4	3.7
Total Inferred Resource	2.7	3.5
Total Mineral Resource	25.2	3.6

Notes:

1. Mineral Resources include technical-grade ore type at a 4% Li₂O block cut-off (and Fe₂O₃<0.1%) and chemical-grade ore type at a 3.2% Li₂O block cut-off; Mineral Resources have been estimated by ordinary kriging into 20mNx20mEx5mRL parent blocks; stockpiles are included as Measured Mineral Resources; lithium domains are drawn at a 2.8% Li₂O grade boundary. There may be some rounding errors in totals.
2. See Section 13 for definitions of Measured Mineral Resource, Indicated Mineral Resource and Inferred Mineral Resource.
3. Mineral Resource estimates in this table have been prepared by Scott Jackson of Quantitative Group in accordance with the JORC Code. These Mineral Resources are not Ore Reserves and, as such, do not have demonstrated economic viability.

Summary of Estimated Ore Reserves at the Greenbushes Lithium Operations as at 30 June 2009

Category	Tonnage (Mt)	Li ₂ O Grade (%)
Proved Reserve	0.11	4.1
Probable Reserve	9.9	3.9
Total Ore Reserves	10.0	3.9

Notes:

1. Proved Ore Reserves comprise exclusively ROM stockpiles; and mining depletion since 30 June 2009 is 130,800t. There may be some rounding errors in totals.
2. See Section 13 for definitions of Proved Ore Reserve and Probable Ore Reserve.
3. Ore Reserve estimates in this table have been prepared by David Miller of Talison Minerals in accordance with the JORC Code.

Lithium ore is mined using conventional drill and blast, load and haul open pit operations from two pits, and then processed in two processing plants located at the mining operations, one producing technical-grade lithium concentrates and one producing chemical-grade lithium concentrate. Ore containing 3.5% to 4.5% Li₂O is fed into the processing plants which upgrade the lithium mineral.

Talison Lithium produces two categories of lithium concentrates: technical-grade concentrates which have low iron content and are sold into the glass and ceramic markets; and a high-yielding chemical-grade lithium concentrate which is sold to processors for conversion into lithium chemicals which, among other uses, form the basis of lithium-ion batteries for laptop computers, mobile phone and electric cars. Technical-grade concentrates are sold directly and indirectly to customers in Europe, China, Japan and the U.S.A, and chemical-grade concentrates are sold directly

to a number of major Chinese lithium chemical processors to be converted into lithium chemicals.

For further details, see the Independent Technical Report contained in Section 10.

1.3 Summary Financial Information

Set out below are the summary pro forma historical income statements for the Company for the period from 27 August 2007 to 30 June 2008 and for the year ending 30 June 2009 (FY2009) and the summary pro forma forecast income statement for the Company for the year ending 30 June 2010 (FY2010). This financial information is intended as a summary only. More detailed financial information can be found in Section 8.

Summary income statements	Pro forma historical		Directors' Pro Forma Forecast ¹
	A\$ million	27 August 2007 to 30 June 2008 ²	FY2009
Revenue	57.3	76.9	71.9
EBITDA	5.1	18.1	17.1
EBIT	3.4	15.9	13.9
NPAT			9.7

Notes:

1. A reconciliation of the Directors' Pro Forma Forecast to the Directors' Statutory Forecast income statement for FY2010 is contained in Section 8.3.1.
2. Talison Minerals acquired the Greenbushes Lithium Operations on 27 August 2007.

1.4 Independent Experts

An Investigating Accountant's Report has been prepared by KPMG Transaction Services for inclusion in this Prospectus. This report is set out in Section 9.

An Independent Technical Report in relation to the lithium quality and Mineral Resources, Ore Reserves, mine and processing and operations and assessment of risk for the Greenbushes Lithium Operations has been prepared by Behre Dolbear Australia Pty Limited for inclusion in this Prospectus. This report is set out in Section 10.

A Solicitor's Report has been prepared by Clayton Utz for inclusion in this Prospectus. This report is set out in Section 11.

1.5 Risk Factors

Like any investment in the stock market, an investment in Talison Lithium Shares carries a number of general business, industry and financial risks. There are also a number of risk factors that are specific to an investment in Talison Lithium as set out in Section 7, including fluctuations in future lithium prices and exchange rates which lie largely outside of Talison Lithium's control. There can be no guarantee that Talison Lithium will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

A photograph of an industrial facility, likely a lithium processing plant. The image shows a complex structure of metal beams, walkways, and railings. The railings are painted yellow, and the main structure is grey. A large white roof structure is visible in the foreground, partially obscuring the view. The sky is clear and blue. The overall scene is industrial and modern.

Key Questions

02

Topic	Summary	Where to find more information
Who are the issuers of this Prospectus?	Talison Lithium Limited ACN 140 122 078 and Resource Capital Fund IV L.P.	Section 5
What does Talison Lithium do?	Talison Lithium will be a leading global producer of lithium. Talison Lithium mines and processes the lithium bearing mineral spodumene at the Greenbushes Lithium Operations. In 2008, Talison Lithium produced approximately 69% of the world's lithium minerals which represents approximately one quarter of the world's lithium production. Talison Lithium produces a range of lithium concentrates which are distributed to a global customer base.	Section 5
What is being offered to investors under the Offer?	Talison Lithium is offering to issue 35 million New Shares and the Selling Shareholder may offer to transfer up to 3.5 million Existing Shares.	Section 3.1
What is the Offer structure?	<p>The Offer comprises the Australian Offer and the Canadian Offer.</p> <p>The Australian Offer comprises:</p> <ul style="list-style-type: none"> the Retail Offer which includes the Broker Firm Offer and the Employee Offer, and the Australian Institutional Offer. <p>The allocation of the Offer Shares between the Retail Offer and the Australian Institutional Offer will be determined by the Company, the Selling Shareholder and the Australian Lead Manager following close of the Global Bookbuild.</p> <p>The allocation of the Offer Shares between the Australian Offer and the Canadian Offer will be determined by the Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate following close of the Global Bookbuild.</p> <p>No Shares are being offered to the general public.</p> <p>As at the date of this Prospectus the Offer is not underwritten.</p>	Sections 3
Is the Offer conditional?	<p>The Offer is conditional on:</p> <ul style="list-style-type: none"> completion of the Pre-Offer Reorganisation; and conditional approval for the listing of the Shares on the TSX and ASX granting conditional approval for the listing of Shares on the ASX. 	
Where will the Shares be listed?	Applications have been made, or will be made, to ASX and the TSX (under the trading symbol and code TLH).	
What is the Final Price?	The Indicative Price Range for the Offer is A\$4.10 – A\$5.10 per Share. The Final Price will be set once the Global Bookbuild has been completed and may be within, above or below this range.	Sections 3.4 and 3.5
What are the expected proceeds of the Offer?	<p>The gross proceeds to the Company from the Offer will be in the range of A\$143.5 million to A\$178.5 million.¹</p> <p>The gross proceeds to the Selling Shareholder from the Offer will be in the range of A\$14.35 million to A\$17.85 million.²</p>	Section 3.1
What will be the market capitalisation of Talison Lithium at listing?	The market capitalisation of Talison Lithium immediately following the Offer is expected to be between A\$348.5 million – A\$433.5 million. ³	Section 3.1

- The gross proceeds to the Company raised under the Offer may be within, above or below this range. The gross proceeds is prior to any exercise of the Over-Allotment Option.*
- Assumes the Selling Shareholder sells 3.5 million Existing Shares. The Selling Shareholder may sell some, all or none of its shareholding. The Company will not receive any of the proceeds relating to the Existing Shares sold by the Selling Shareholder.*
- Based on the Indicative Price Range and the number of Shares on issue at completion of the Offer (prior to any exercise of the Over-Allotment Option).*

2. Key Questions

Topic	Summary	Where to find more information
How will the proceeds of the Offer be used?	<p>The proceeds of the Offer received by the Company will be used by the Company:</p> <ul style="list-style-type: none"> to repay existing senior debt; for corporate purposes and to provide additional working capital for the Company; and to pay for the costs of the Offer.⁴ 	Section 3.2
Will Talison Lithium pay dividends?	Talison Lithium anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and the financial condition of the Company and such other factors as the Directors consider appropriate.	Section 7.2
Who is the Selling Shareholder and is it retaining a Shareholding?	<p>The Selling Shareholder is RCF. RCF will hold 28.4 million Existing Shares on completion of the Pre-Offer Reorganisation and may sell up to 3.5 million of its Existing Shares under the Offer. The final number of Existing Shares to be sold by the Selling Shareholder will be determined prior to or during the Global Bookbuild.</p> <p>See Section 3.10 for details of the shareholdings of the Selling Shareholder and other Existing Shareholders on completion of the Pre-Offer Reorganisation and on completion of the Offer.</p>	Section 3.10
Is the Offer underwritten?	<p>As at the date of this Prospectus, the Australian Offer is not underwritten.</p> <p>The Company, the Selling Shareholder and the Australian Lead Manager have entered into an Offer Management Agreement in respect of the management of the Australian Offer.</p> <p>Talison Minerals and the Canadian Lead Manager have entered into the Engagement Letter.</p> <p>The Offer Management Agreement and the Engagement Letter set out a number of circumstances under which the Australian Lead Manager or the Canadian Lead Manager may terminate its engagement.</p> <p>See Section 12.7 for a summary of the Offer Management Agreement and the Engagement Letter.</p>	Sections 3.9 and 12.7
Am I eligible to participate in the Australian Offer?	<p>The Broker Firm Offer is open only to Australian resident Retail Investors who have received a firm allocation from their broker.</p> <p>The Employee Offer is being extended to Eligible Employees and certain other individuals as identified by the Chairman.</p> <p>The Australian Institutional Offer is open to Institutional Investors in Australia and selected institutions in other jurisdictions who are invited to participate in the Australian Institutional Offer by the Australian Lead Manager.</p> <p>All Applicants in the Retail Offer must have an eligible residential address in Australia.</p>	Sections 3.4 and 3.5
What is the minimum investment size under the Offer?	Applications in the Retail Offer must be for a minimum of A\$2,000 worth of Offer Shares. Applications in excess of the minimum amount must be in multiples of A\$500.	Section 3.4

4. The costs of the Offer will be paid out of the gross proceeds of the Offer by the Company and by the Selling Shareholder to the extent of that percentage which is represented by the proportion of the Existing Shares sold by the Selling Shareholder to the number of Offer Shares.

Topic	Summary	Where to find more information
As a retail investor, how do I apply for Offer Shares in Talison Lithium?	By submitting a valid Application Form in accordance with the instructions set out in Section 3.4 of this Prospectus.	Section 3.4
When will I receive confirmation that my Application has been successful?	If you are a Successful Applicant, a holding statement confirming your allocation under the Australian Offer is expected to be dispatched to you on or about Friday, 18 December 2009.	
How can I obtain further information?	By reading this Prospectus in its entirety, calling the Talison Offer Information Line between 8.30 am and 5.30 pm (WST) on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia) or contacting your accountant, lawyer, stockbroker or other professional adviser.	Section 3.20
What are the tax implications of investing in Talison Lithium?	The taxation implications of investing in Talison Lithium will depend on an investor's individual circumstances. Applicants should obtain their own tax advice prior to applying for Shares. See Section 12.19 for a summary of Australian tax issues for Australian tax resident Shareholders.	Section 12.19
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Offer Shares under the Offer.	Section 3.14



Details of the Offer

03



3.1 Description of the Offer

Talison Lithium is offering to issue up to 35 million New Shares and the Selling Shareholder is offering to transfer up to 3.5 million Existing Shares. Offer Shares will be issued or transferred to Australian investors under this Prospectus and to Canadian investors under the Canadian Prospectus.¹

Based on the Indicative Price Range for the Offer of A\$4.10 – A\$5.10 per Share, the gross proceeds to the Company from the Offer will be in the range of A\$143.5 million to A\$178.5 million.² All New Shares will be issued at the Final Price. The Final Price will be determined by the Company, the Selling Shareholder, Australian Lead Manager and the Canadian Lead Manager, following close of the Global Bookbuild. The Final Price may be within, above or below the Indicative Price Range.

The number of Shares on issue at completion of the Offer will be 85 million. If the Canadian Syndicate exercises the Over-Allotment Option in full, the number of Shares on issue will be 87 million.

All Shares issued or transferred under this Prospectus rank equally with each other and with the other Existing Shares.

3.2 Purpose of the Offer and Use of funds

The purpose of the Offer is to:

- list Talison Lithium on ASX and the TSX;
- strengthen the Company's balance sheet by reducing debt;
- provide additional working capital to Talison Lithium;
- improve access to capital markets;
- provide a liquid market for the Shares; and
- provide an opportunity for employees and customers to invest in the Company.

Funds raised from the issue of New Shares will be used by the Company as set out below. The Directors believe that on completion of the Offer the Company will have sufficient working capital to carry out its objectives.

Use of funds ³	A(\$m)
Repay existing senior debt	82.0 ⁴
General corporate purposes and working capital	49.3
Pay for the costs of the Offer ⁵	12.2
Total use of funds	143.5

1. *The allocation of Offer Shares between the Australian Offer and the Canadian Offer will be determined by the Company, the Selling Shareholder, the Australian Lead Manager, and the Canadian Syndicate following close of the Global Bookbuild.*
2. *The gross proceeds is prior to any exercise of the Over-Allotment Option. The gross proceeds raised under the Offer may be within, above or below this range. The Company will not receive any of the proceeds relating to the Existing Shares sold by the Selling Shareholder.*
3. *The use of funds set out above is a "best estimate" only and is based on the minimum subscription amount.*
4. *The debt owed by the Existing Shareholders is US\$75 million and has been converted into A\$. See "Important Information" for conversion information.*
5. *The costs of the Offer will be paid out of the gross proceeds of the Offer by the Company. Assumes the Final Price is set at the base price of A\$4.10.*

Any amount raised in excess of the minimum subscription amount will be applied to working capital. Any funds raised from the transfer of Existing Shares under the Offer will be for the benefit of the Selling Shareholder. See Section 3.6 for details of the minimum subscription amount.

3.3 Structure of the Offer

The Offer comprises the Australian Offer and the Canadian Offer.

The Australian Offer comprises:

- the Retail Offer, which includes the Broker Firm Offer and the Employee Offer; and
- the Australian Institutional Offer.

No Shares are being offered to the general public.

The allocation of Offer Shares between the Retail Offer and the Australian Institutional Offer will be determined by the Company, the Selling Shareholder and the Australian Lead Manager following close of the Global Bookbuild.

The allocation of Offer Shares between the Australian Offer and the Canadian Offer will be determined by the Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate following close of the Global Bookbuild.

3.4 The Retail Offer

3.4.1 Who can apply in the Retail Offer?

The Retail Offer is open to Australian resident Retail Investors who may apply under the Broker Firm Offer or the Employee Offer. The Retail Offer opens at 7.00 am WST on Tuesday, 1 December 2009 and closes at 5.00 pm WST on Wednesday, 9 December 2009.

The Retail Offer may be closed at any earlier date, without notice. If you are applying under the Retail Offer, you are therefore encouraged to submit your Application as soon as possible after the Retail Offer opens.

Applications under the Retail Offer must be for a minimum of A\$2,000 worth of Offer Shares and in multiples of A\$500 worth of Offer Shares thereafter.

Successful Applicants in the Retail Offer will be allotted Offer Shares at the Final Price. The Final Price will be set following close of the Global Bookbuild.

Broker Firm Offer

The Broker Firm Offer is open only to Australian resident Retail Investors who have received a firm allocation from their broker.

In order to receive their firm allocation, applicants under the Broker Firm Offer must complete their Application Form in accordance with the instructions received from their broker and lodge their Application Form and Application Monies with their broker, in accordance with their broker's instructions. Applicants under the Broker Firm Offer must not send their Application Forms to the Australian Registrar.

The Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate are not liable for any

3. Details of the Offer

acts or omissions by your broker in connection with your Application, Application Form or Application Monies.

Employee Offer

All Eligible Employees and certain other individuals, as identified by the Chairman, are eligible to participate in the Employee Offer. Eligible Employees are all Australian resident employees of Talison Services who are employed at 5.00 pm WST on Friday 20 November 2009. If you are an Eligible Employee, you should have received a personalised Application Form with this Prospectus. If you are an Eligible Employee but did not receive your personalised Application Form, please contact the Talison Lithium Offer Information Line on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

Eligible Employees will receive a guaranteed minimum allocation of A\$5,000 worth of Offer Shares at the Final Price (or such lower value applied for, subject to the minimum Application size of A\$2,000 and in multiples of A\$500 worth of Offer Shares thereafter).

Eligible Employees may only apply for Offer Shares by completing and returning your personalised Application Form with accompanying payment to the Australian Registrar. There are instructions set out on the Application Form to help you complete it. Application Monies (via post and accompanied by a valid and properly completed Application Form) must be received by the Australian Registrar by 5.00 pm WST on Wednesday, 9 December 2009.

3.4.2 Application Monies

Application Monies received under the Retail Offer will be held in a special purpose account until Offer Shares are issued or transferred to Successful Applicants.

Where an Application under the Retail Offer is rejected or in circumstances where the Offer is withdrawn or cancelled, the Applicant will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Application Monies will be refunded (in full or in part, as applicable) in Australian dollars and no interest will be paid on any refunded amounts. The Company will retain any interest earned on Application Monies. Refund cheques will be sent as soon as practical following the close, withdrawal or cancellation of the Offer.

Applicants whose Applications are accepted in full will receive a whole number of Offer Shares calculated by dividing the Application Amount by the Final Price. Where the Final Price does not divide evenly into the Application Amount, the number of Offer Shares to be allocated will be rounded down to the nearest whole number of Offer Shares. In this circumstance, surplus Application Monies resulting from unallocated fractions of Shares will be refunded to the Applicant in Australian dollars and excluding interest.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australia branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable to Talison Lithium Limited – IPO account and mailed to Computershare, GPO Box D182, Perth WA 6840.

You should ensure that sufficient funds are held in the relevant account (s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Offer Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

3.4.3 Allocation policy under the Retail Offer

The allocation of Shares between the Retail Offer and the Australian Institutional Offer will be determined by the Company, the Selling Shareholder and the Australian Lead Manager subject to any firm allocations for the Broker Firm Offer and any minimum guaranteed allocations to the Employee Offer Applicants, and may reject any Application, or allocate a lesser amount of Offer Shares than those applied for, in their absolute discretion.

Allocations Under the Broker Firm Offer

Shares that have been allocated to brokers for allocation to their Australian resident Retail Investors will be issued to Broker Firm Applicants nominated by those Brokers. It will be a matter for each broker as to how it allocates firm stock among its Retail Investors, and each broker (and not the Company, the Selling Shareholder, the Australian Lead Manager nor the Canadian Syndicate) will be responsible for ensuring that Broker Firm Applicants receive the relevant Offer Shares.

Broker Firm Applicants will be able to confirm their firm allocations through their broker. However, Applicants in the Broker Firm Offer who sell Shares before receiving an initial statement of holding do so at their own risk, even if they have obtained details of their holding from their broker.

Allocations Under the Employee Offer

Allocations under the Employee Offer will be at the absolute discretion of the Company, subject to Employee Offer Applicants being guaranteed a minimum allocation as advised by the Company, or any lesser number of Offer Shares properly applied for, at the Final Price.

3.4.4 Acceptance of Applications

An Application in the Retail Offer is an offer by the Applicant to the Company to subscribe for or purchase (as the case may be) Offer Shares, for all or any of the Application Amount specified in and accompanying the Application Form, at the Final Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form (including the conditions regarding quotation on ASX in Section 3.7). To the extent permitted by law, the offer by an Applicant is irrevocable.

An Application may be accepted by the Company, the Selling Shareholder and the Australian Lead Manager, in respect of the full number of Offer Shares specified in the Application

Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

3.4.5 Announcement of the Final Price

The Final Price and the final allocation policy in the Retail Offer will be advertised in the Australian Financial Review, The Australian, and other newspapers in Australia selected by the Company, shortly after the close of the Global Bookbuild. The publication of the announcement is expected to occur on or about Friday, 18 December 2009.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Offer Shares before they receive an initial statement of holding do so at their own risk. The Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided to any of them by the Company, the Selling Shareholder, by the Australian Lead Manager or the Canadian Syndicate, or by the Talison Lithium Offer Information Line or otherwise.

3.5 The Australian Institutional Offer

3.5.1 Invitations to bid

The Australian Institutional Offer forms part of the Global Bookbuild which will be managed by the Australian Lead Manager and the Canadian Syndicate. Full details of how to participate in the Australian Institutional Offer, including bidding instructions, will be provided to participants by the Australian Lead Manager.

3.5.2 The bookbuild process and Indicative Price Range

Australian Institutional Investors, and Asian Institutional Investors can only bid into the book for Offer Shares through the Australian Lead Manager. They may bid for Offer Shares above, within or below the Indicative Price Range, which is A\$4.10 to A\$5.10 per Share or at the Final Price. The Indicative Price Range may be varied at any time by the Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate.

The minimum bid size is 50,000 Offer Shares, and thereafter in multiples of 10,000 Offer Shares. However, the Company and the Australian Lead Manager reserve the right to accept smaller bids. Bids must be received between 9.00 am WST on Wednesday, 9 December 2009 and 7.00 am WST on Thursday, 10 December 2009, unless these times and dates are varied by the Company, the Selling Shareholder, the Australian Lead Manager and the Canadian Syndicate.

Bids may be submitted, amended or withdrawn by eligible Institutional Investors until 7.00 am WST on Thursday, 10 December 2009. Any bid not withdrawn by this time (or such other time as varied by the Company, the Selling Shareholders, the Australian Lead Manager and the Canadian Syndicate) will be deemed to be an irrevocable offer by the relevant bidder to purchase the Offer Shares bid for (or such

lesser number as may be allocated) at or below the price bid per Offer Share, on the terms and conditions in any bidding instructions provided by the Australian Lead Manager to participants and the conditions regarding quotation referred to in Section 3.5. Bids can be accepted or rejected by the Company and the Australian Lead Manager in whole or in part, in their absolute discretion, without further notice to the bidder. Acceptance of a bid will give rise to a binding contract.

All successful bidders will pay the Final Price for each Offer Share allocated to them.

3.5.3 Determination of Final Price

The Final Price will be determined by the Company, the Selling Shareholder the Australian Lead Manager and the Canadian Syndicate after the close of the Global Bookbuild. It is expected that the Final Price will be determined and announced on or about Friday, 11 December 2009.

The Final Price will not necessarily be the highest price at which Offer Shares could be issued under the Offer and may be set above, within or below the Indicative Price Range. Accordingly, Successful Applicants under the Retail Offer and the Australian Institutional Offer may pay a Final Price which is above, within or below the Indicative Price Range.

3.5.4 Allocation policy under the Australian Institutional Offer

The allocation of Offer Shares among bidders in the Global Bookbuild will be determined by the Company, the Canadian Syndicate and the Australian Lead Manager. There is no assurance that any bidder will be allocated any Offer Shares, or the number of Offer Shares for which it has bid. The initial determinant of the allocation of Offer Shares in the Global Bookbuild will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Offer Shares.

The allocation policy will be influenced by the following factors:

- the price and number of Offer Shares bid for by particular Institutional Investors;
- the timeliness of the bid by particular Institutional Investors;
- the Company's desire for an informed and active trading market in Shares following the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the size and type of funds under the management of particular Institutional Investors;
- the likelihood that particular Institutional Investors will be long term Shareholders; and
- any other factors that the Company, the Australian Lead Manager and the Canadian Syndicate consider appropriate, in their sole discretion.

3.6 Minimum Subscription Amount

The Offer will not proceed, and all Applications and Application Monies will be returned to Applicants (without interest), unless a minimum subscription amount of A\$143.5 million is raised under the Offer.

3. Details of the Offer

3.7 Conditions of the Offer

The Offer is conditional on:

- completion of the Pre-Offer Reorganisation (which is conditional on, amongst other things, FIRB Approval and Ministerial Consent); and
- conditional approval for the listing of Shares on the TSX and the ASX granting conditional approval for the listing of Shares on the ASX.

If the conditions of the Offer are not satisfied all Application Monies will be returned to investors without interest. If the conditions to the Pre-Offer Reorganisation are not satisfied before the Global Bookbuild opens, the period of the Offer may be extended.

3.8 Canadian Offer

A preliminary Canadian prospectus dated 13 November 2009 has been prepared in accordance with applicable Canadian securities laws and filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island. The Canadian Offer is anticipated to close in Canada on or around Thursday, 17 December 2009.

Investors purchasing in the Canadian Offer will be purchasing Shares in Canadian dollars and will have their holdings recorded on the Company's Canadian Share Register.

3.9 Settlement Support

As of the date of this Prospectus the Australian Offer is not underwritten. The Company, the Selling Shareholder and the Australian Lead Manager have entered into an Offer Management Agreement in respect of the management of the Australian Offer.

Talison Minerals and the Canadian Lead Manager have entered into the Engagement Letter, which contemplates that the Canadian Lead Manager and the Canadian Syndicate may enter into an agreement to, among other things, provide settlement support (**Settlement Support Agreement**). It is proposed that the Company, certain members of the Group, the Selling Shareholder (if the Selling Shareholder elects to sell any of its Existing Shares under the Offer) and the Australian Lead Manager will also be parties to this agreement.

The Offer Management Agreement and the Engagement Letter set out a number of circumstances under which the Canadian Lead Manager and the Australian Lead Manager may terminate the agreements. The Settlement Support Agreement will also set out a number of circumstances under which it may be terminated. A summary of certain terms of the Offer Management Agreement, the Engagement Letter and the proposed Settlement Support Agreement, including the termination provisions, is set out in Section 12.7.

3.10 Shareholders

The following table sets out the beneficial ownership of Shares as at the completion of the Pre-Offer Reorganisation and as anticipated on completion of the Offer, excluding New Shares that may be issued under the Over-Allotment Option.

Shareholder	Shares held at completion of Pre-Offer Reorganisation		Shares held at completion of Offer	
	Number	%	Number	%
Resource Capital Fund IV L.P.	28.4m	56.9	28.4m ¹	33.4
DBSO DU II LLC	5.1m	10.3 ²	5.1m	6.0
Fortress Credit Corporation (Australia) II Pty Ltd	1.0m	2.0 ²	1.0m	1.2
Mineral Investors, LP	6.5m	13.0	6.5m	7.7
Goldman Sachs JBWere Capital Markets Limited	2.0m	3.9 ³	2.0m	2.3
Triumph II Investments (Ireland) Limited	5.7m	11.4 ³	5.7m	6.7
Employee Shareholders	1.3m	2.5	1.3m	1.5
New Shareholders pursuant to the Offer ¹	-	-	35.0m	41.2
TOTAL	50.0m	100	85.0m	100

Notes:

- Assumes the Selling Shareholder does not sell any of its Existing Shares under the Offer. The Selling Shareholder may sell up to 3.5 million Existing Shares under the Offer. The Selling Shareholder may sell some, none or all of this amount. If the Selling Shareholder sells the maximum amount, it will hold 24.9 million Shares (29.3%) and the new Shareholders will hold 38.5 million Shares (45.3%) immediately after the Offer.
- DBSO DU II LLC and Fortress Credit Corporation (Australia) II Pty Ltd are Associates.
- Goldman Sachs JBWere Capital Markets Limited and Triumph II Investments (Ireland) Limited are Associates.

3.11 ASX Listing

Application will be made to ASX no later than seven days after the date of this Prospectus for admission of the Company to the official list of ASX and quotation of the Shares on ASX. The Company's ASX code will be TLH.

The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Offer Shares, as the case may be. Official quotation of Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements to Successful Applicants.

ASX takes no responsibility for this Prospectus or the investment to which it relates. Admission to the official list of ASX and quotation of the Shares on ASX are not to be taken as an endorsement by ASX of the Company.

If the Company is not admitted to the official list of ASX within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

Normal settlement trading of Shares is expected to commence on Friday, 18 December 2009. Offer Shares applied for by Australian residents and Australian Institutional Investors, under this Prospectus will be registered on, and held by investors through, the Australian Share Register and will be traded on the ASX.

3.12 TSX Listing

Application has been made to the TSX for approval to list the Shares on the TSX subject to the Company fulfilling all the requirements of the TSX relating thereto. If accepted, the Company's TSX trading symbol will be TLH.

The TSX takes no responsibility for this Prospectus or the Canadian Prospectus or the investment to which they relate. Approval of the TSX to list the Shares on the TSX is pending and, if granted, is not to be taken as an endorsement by the TSX of the Company.

As a dual-listed company, subject to certain conditions, the Company will be required to comply with the disclosure obligations prescribed by Canadian securities regulations applicable to reporting issuers in Canada and the requirements of the TSX Company Manual, as well as those prescribed by the ASX Listing Rules and the Corporations Act.

If the TSX has not approved the listing of the Shares on the TSX within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

Normal settlement trading of Shares is expected to commence in Canada on Thursday, 17 December 2009. Shares subscribed for by Canadian investors made under the Canadian Prospectus and institutional investors in certain jurisdictions outside of Australia, New Zealand, Singapore and Hong Kong will be registered on, and held by investors through, the Canadian Share Register and will be traded on the TSX.

3.13 Trading on ASX and the TSX

Subject to the completion of the Offer and the listing of the Shares on the ASX and the TSX, holders of Shares on the Australian Share Register who wish to change registers and trade their Shares on the TSX may contact the Australian Registrar and request their holding be transferred to the Canadian Share Register. Similarly, holders of Shares on the Canadian Share Register who wish to change registers and trade their Shares on the ASX may contact the Company's Canadian Registrar and request that their holding be transferred to the Australian Share Register. Investors holding Shares indirectly through brokers or nominees may need to take additional steps to transfer Shares between the registers.

According to the Company's Australian Registrar and Canadian Registrar and transfer agents, transfers between registers will be completed within two business days (days on which both the TSX and the ASX are open for trading), thereby allowing Shares registered on the Canadian Share Register to be available for delivery to settle trades completed over the ASX and similarly allowing Shares registered on the Australian Share Register to be available for delivery to settle trades completed over the TSX. Both the ASX and the TSX currently require settlement of trades on a "T+3" basis (i.e., trades are settled three business days following the day a trade is agreed upon through the facilities of the relevant stock exchange).

3.14 Brokerage and Fees

No brokerage or commission is payable by Applicants on application for or issue or transfer, as the case maybe, of Offer Shares under the Offer.

3.15 Withdrawal

The Company, with the consent of the Selling Shareholder, the Australian Lead Manager and the Canadian Lead Manager, has the right to vary any of the dates set out in this Prospectus relating to the Offer, without notice to any recipient of this Prospectus or any Applicant. This includes, although is not limited to, varying the length of the Offer. In addition, the Company may withdraw the Offer without notice to any recipient of the Prospectus or any Applicant.

If the Offer, or any part of it does not proceed, the relevant Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

3.16 Selling of Shares and CHES

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHES**), in accordance with the ASX Listing Rules and the Securities Clearing House Business Rules. CHES is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in a paperless form.

When the Shares become CHES approved securities, holdings on the Australian Share Register will be registered in one of two sub-registers, the electronic CHES Sub-Register or the Issuer Sponsored Sub-Register. The Shares

3. Details of the Offer

of a Shareholder who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS Sub-Register. All other Shares on the Australian Share Register will be registered on the Issuer Sponsored Sub-register.

Following completion of the Offer, Shareholders on the Australian Share Register will be sent an initial statement of holding that sets out the number of Offer Shares that have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders on the Australian Share Register will subsequently receive statements showing any changes to their shareholding and will not be issued certificates. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker, in the case of a holding on the CHESS sub-region, or through the Australian Registrar in the case of a holding on the issuer sponsored subregister. The Company or Australian Registrar may charge a fee for these additional issuer sponsored statements.

3.17 Foreign Selling Restrictions

United States of America

None of the Offer Shares have been or will be registered under the U.S. Securities Act, or any securities or "blue sky" laws of any of the states of the United States of America. Accordingly, the Offer Shares may not be offered or sold within the United States of America except in accordance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, the Engagement Letter provides that the Canadian Lead Manager will offer and sell the Offer Shares outside the United States of America only in accordance with Regulation S under the U.S. Securities Act. The Offer Shares will be offered and sold within the United States of America through the U.S. registered broker affiliate of the Canadian Lead Manager pursuant to Regulation D under the U.S. Securities Act.

Neither this Prospectus nor the Canadian Prospectus constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in the United States of America. In addition, until 40 days after the commencement of the Offer, an offer or sale of the Offer Shares within the United States of America by any dealer, whether or not participating in the Offer, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made absent registration or otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

Hong Kong

The Offer Shares have not and will not be offered, sold or delivered, directly or indirectly, nor will any information, advertisement or material in relation to any offer of the Shares be distributed, in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance. The contents of this Prospectus have

not been reviewed by any regulatory authority in Hong Kong. Hong Kong resident investors are advised to exercise caution in relation to the Offer and are advised to obtain independent professional advice.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**)) under Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of whom is an individual who is an accredited investor,

"securities" (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further, for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

New Zealand

The Offer Shares have not and will not be offered, sold or delivered, directly or indirectly, nor will any information memorandum, advertisement or offering material in relation

to any offer of the securities be distributed in New Zealand, other than to persons who are:

- (a) persons whose principal business is in the investment of money or persons who in the course of their business habitually invest money; or
- (b) persons who are each required to pay a subscription price of NZ\$500,000, or in other circumstances where there is no contravention of the Securities Act 1978 (NZ).

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the **FIEL**). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan. Therefore, subject to certain exceptions, the Offer will not be made within Japan.

Applicant's representation and warranty

Each Applicant in the Retail Offer will be taken to have represented, warranted and agreed as follows:

- (a) the Applicant is an Australian citizen or is a resident in Australia and is not a person residing in New Zealand, Singapore or Hong Kong or acting for the account or benefit of a person residing in New Zealand, Singapore or Hong Kong; and
- (b) the Applicant will not offer or sell the Offer Shares in the United States of America or in any other jurisdiction outside Australia, except in the latter case, a transaction exempt from registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which such Offer Shares are offered and sold.

3.18 Electronic Prospectus

The Australian Offer constituted by this Prospectus is available electronically only to Australian residents accessing and downloading or printing the electronic version of this Prospectus within Australia. Australian residents may view this Prospectus online at www.talisonlithium.com. Applicants using one of the Application Forms attached to the electronic version of this Prospectus must be resident in Australia. The electronic version of this Prospectus is not available to persons outside Australia. In particular, it is not available in Canada or to persons residing in Canada, or the United States of America or to persons residing in the United States of America.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

3.19 Taxation

Investors wishing to apply for Offer Shares should give consideration to the tax implications of any such investment. Different taxation circumstances will apply to different investors, depending on factors such as whether the investor is a resident or a non-resident of Australia or whether the investor is a corporate shareholder or complying superannuation entity.

For these classes of investors, the taxation outcomes will be different under situations including, but not limited to, taxation of capital gains, dividends and withholding tax. Accordingly, potential Shareholders are advised to seek their own professional taxation advice before investing in the Company. See Section 12.19 for further information.

3.20 Enquiries

If you require assistance to complete the Application Form or require additional copies of the Prospectus, you should contact the Talison Lithium Offer Information Line on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, accountant, solicitor, or other financial or professional adviser.



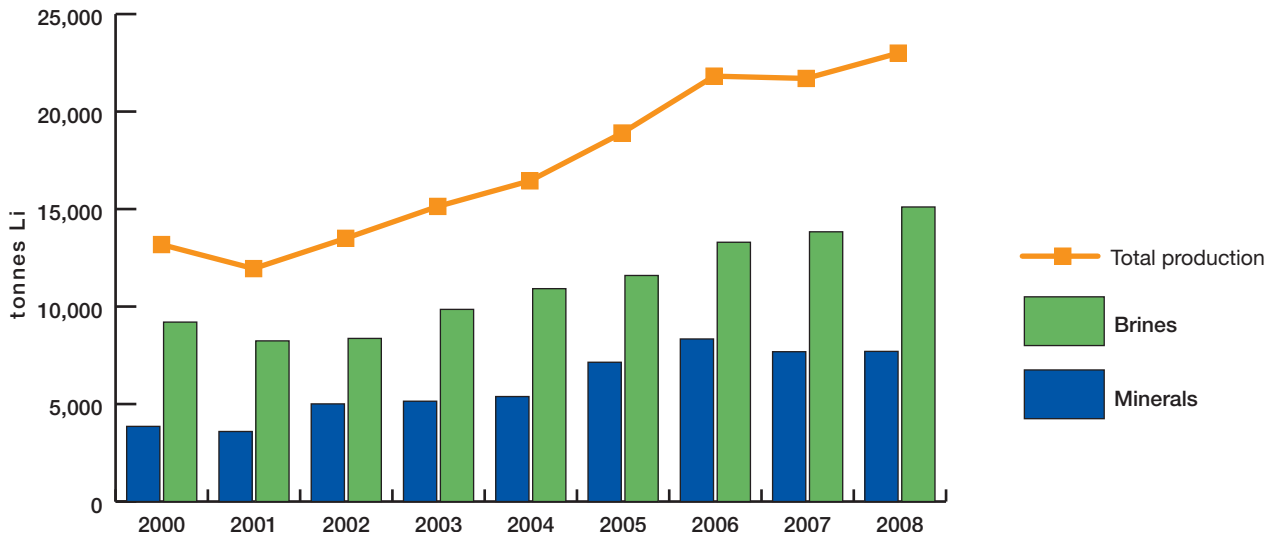
Industry Background

04

4.1 Introduction

Lithium (chemical symbol: Li) is the lightest of all metals. It does not occur as a pure element in nature but is contained within stable minerals or salts including a range of rock types, brine lakes and sea water. The contained concentration of lithium is generally low and there are only a limited number of resources where lithium can be economically extracted. These are lithium rich salar brine lakes and mineral deposits. Roskill estimates that global production of lithium increased from approximately 13,050t Li (69,465t LCE) in 2000 to approximately 22,800t Li (121,364t LCE) in 2008, as illustrated in the chart below.

Historical Lithium Production



Source: Roskill

Lithium can be processed to form a variety of different chemicals depending on its end use. According to Roskill, lithium carbonate represents approximately 40% of the total global consumption of lithium chemicals. The next most common chemicals are lithium hydroxide and lithium chloride, which together represent approximately 20% of total consumption.

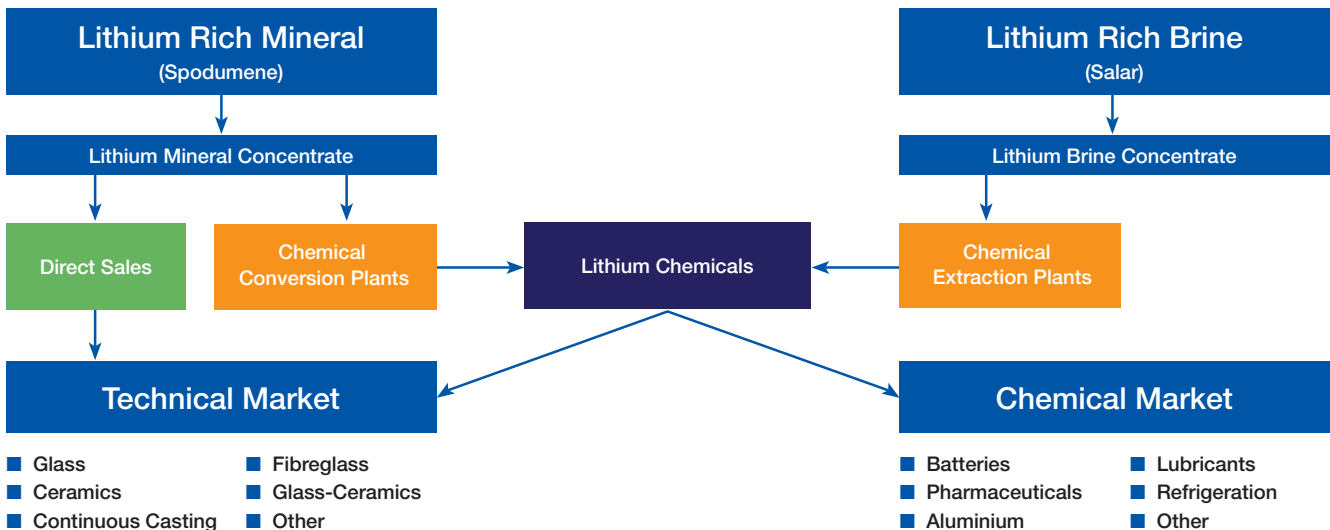
Lithium and its chemical compounds exhibit a broad range of beneficial properties including:

- the highest electrochemical potential of all metals;

- an extremely low co-efficient of thermal expansion;
- fluxing and catalytic characteristics; and
- acting as a viscosity modifier in melts.

As a result, lithium is used in numerous applications which can be divided into two broad categories: chemical applications and technical applications. Lithium from brines or mineral deposits can be used in both chemical and technical applications, servicing a wide variety of end markets as outlined in the diagram below.

Lithium Sources and End Uses



Source: Talison Lithium

4. Industry Background

According to Roskill, the fastest growing use of lithium over the last eight years has been in the battery market, which grew by more than 22% pa compound growth between 2000 and 2008. The emerging application of lithium for batteries used as the power source for hybrid electric (HEVs), plug-in hybrid electric (PHEVs) and electric vehicles (EVs) could provide a further substantial source of future demand for the metal.

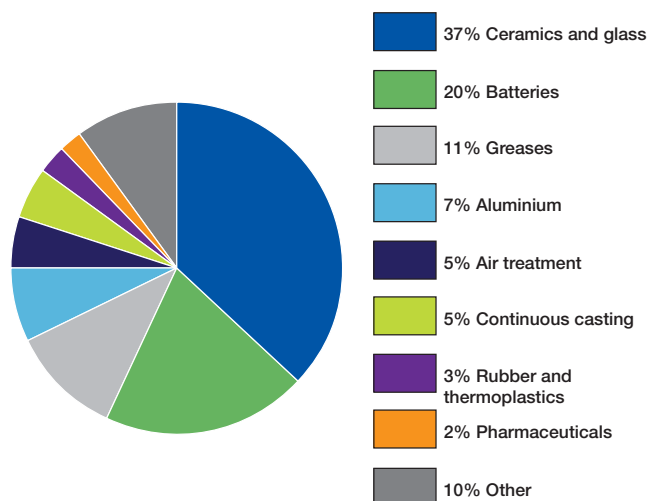
4.2 Lithium Demand

4.2.1 Demand Overview

Roskill estimates that total consumption of lithium in 2008 was 21,300t Li (113,379 LCE) and that, between 2000 and 2008, the compound annual growth rate (CAGR) for lithium demand has averaged 6% pa, with the largest growth application being the secondary (rechargeable) battery market, with a 22% CAGR between 2000 and 2008.

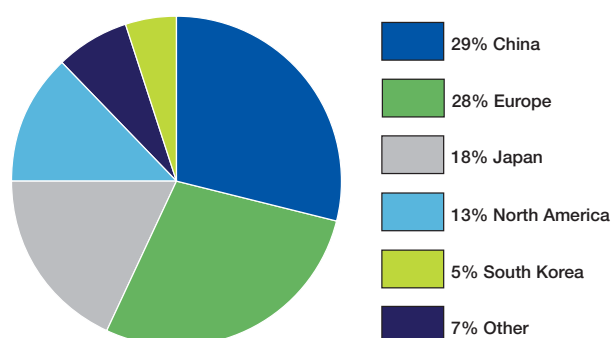
Roskill also estimates that the largest consumer of lithium in 2008 was the glass/ceramics market which accounted for approximately 37% of lithium consumption. The second largest market segment was batteries with an estimated 20% of total lithium consumption, followed by greases (11%), aluminium smelting (7%), air treatment (5%) and casting (5%). China is the largest consumer of lithium, followed by Europe, Japan and North America.

Lithium End Use, 2008



Source: Roskill

Lithium Demand by Region, 2008



Source: Roskill

As previously highlighted, lithium end-use can generally be divided into two broad market categories: technical application markets and chemical application markets.

4.2.2 Technical Application Markets

The technical application markets are dominated by low iron lithium concentrate products to meet the highly specialised requirements of end users.

- (a) *Glass/Ceramics*: There are three distinct markets for lithium in glass/ceramics:
 - (i) *Glass*: including container glass, flat glass, pharmaceutical glass, specialty glass and fiberglass. These glass products may be designed for durability or corrosion resistance or for use at high temperatures where thermal shock resistance is important. The addition of lithium increases the glass melt rate, lowers the viscosity and the melt temperature providing higher output, energy savings and moulding benefits. Major producers of technical glass products are located in Germany, France, Japan and the United States of America;
 - (ii) *Ceramics*: including ceramic bodies, frits, glazes and heatproof ceramic cookware. Lithium lowers firing temperatures and thermal expansion, and increases the strength of ceramic bodies. The addition of lithium to glazes improves viscosity for coating, as well as improving the glazes' colour and lustre. The major ceramic production centres include China, Italy, Spain and Mexico; and
 - (iii) *Specialty Applications*: including induction cook tops and cookware. Lithium's extremely low co-efficient of thermal expansion makes these products resistant to thermal shock and imparts mechanical strength and lowers thermal conductivity.
- (b) *Metallurgical*: Lithium is used in mould fluxes for steel casting. The addition of lithium in the continuous casting mould fluxes assists the melting and fluidity of the flux, which in turn improves the viscosity and flow of the continuous casting. Lithium is also used in the production of iron castings such as engine blocks where it reduces the effect of veining, thereby reducing the number of defective casts. Producers of continuous casting steel are located around the world, including in the United States of America, China and Europe.

4.2.3 Chemical Application Markets

The following chemical applications use various common lithium chemicals, including lithium carbonate, lithium bromide, lithium chloride, butyl lithium and lithium hydroxide:

- **Batteries:** The two main lithium battery types are:
 - Primary (non-rechargeable): including coin or cylindrical batteries used in calculators and digital cameras. The lithium battery has a higher energy density compared to alkaline batteries as well as a low weight and long shelf and operating life; and
 - Secondary (rechargeable): the main applications are powering cell phones, laptops and other hand held electronic equipment. As with the primary battery, the lithium secondary battery has a higher energy density and lighter weight compared to NiCd and NiMH batteries.
- **Lubricants:** According to Roskill, lithium greases dominate the lubrication market. Lithium provides the thickener in the grease ensuring lubrication properties are maintained over a broad range of temperatures.
- **Aluminium Smelting:** The addition of lithium during aluminium smelting reduces the bath temperature which reduces power consumption, increases the bath electrical conductivity and reduces fluorine emissions.
- **Air Treatment:** A number of lithium-based chemicals are used in air treatment. This includes lithium bromide as an absorption medium for industrial refrigeration systems and lithium chloride for humidity control and drying systems.
- **Pharmaceuticals:** Lithium is used in the treatment for bipolar disorder as well as in other pharmaceutical products.
- **Other Chemical Applications:** Lithium chemicals are also used in a range of other applications including:
 - butyl lithium as a catalyst for polymerisation of synthetic rubbers;
 - aluminium-lithium alloys;
 - lithium niobate and tantalate in electronics;
 - concrete additive;
 - water treatment; and
 - specialty inorganics.

4.3 Demand Outlook

The future outlook for lithium demand appears positive. Roskill has estimated base case demand growth of approximately 6% pa between 2008 and 2013, representing total demand of approximately 28,240t Li (150,322t LCE) in 2013. The major growth sector will continue to be the secondary battery market, which Roskill forecasts has base case demand growth of approximately 14.4% pa between 2008 and 2013. Roskill expects that portable consumer goods, such as cell phones and laptop computers, will provide some growth in demand for lithium secondary batteries, however Roskill anticipates that the start of mass production of EVs using lithium secondary batteries by major automotive manufacturers presents the most significant upside potential for lithium demand.

The technical application market for lithium minerals also has a number of opportunities to expand demand, particularly in eco-friendly applications including:

- the replacement of lead with lithium in lighting glass; and
- the use of lithium in producing high-strength fiberglass for large wind turbine blades.

Electric Vehicle Outlook

According to Roskill, the introduction of lithium-ion battery-powered, mass produced HEVs, PHEVs and EVs has the potential to significantly increase the future consumption of lithium.

Electric vehicles can be grouped into three main categories:

- **HEVs:** whose power-train is a combination of electric power and gasoline engine. HEVs come in two variants: (i) the mild HEV uses a battery pack to supplement the gasoline engine either during acceleration, when the vehicle is at rest or low speed driving, and (ii) the full HEV allows the car to be propelled in full electric mode and the batteries are recharged by regenerative braking. HEVs consume approximately 0.5 kg Li per vehicle.¹
- **PHEVs:** which allow batteries to be recharged by plugging the vehicle into the electric mains system. PHEVs consume approximately 1.8-4.2 kg Li per vehicle.¹
- **EVs:** fully electric vehicles whose main propulsion mode is electric, but which may also have a small gasoline engine to either assist in recharging the batteries or provide power to the engine if the battery charge is depleted. EVs consume approximately 10 kg Li per vehicle.¹

Given the increasing political and consumer focus on climate change, car producers are looking for ways to lower both carbon emissions and fuel consumption in transport applications. HEVs have been on the market for a number of years, with Roskill noting that annual sales in the United States of America have increased from approximately 20,000 in 2000 to almost 350,000 in 2007. To date, most mass produced HEVs have incorporated nickel metal hydride (NiMH) batteries, although many automobile manufacturers are now starting to develop EVs incorporating the lithium-ion battery as the electrical power source for their vehicles.

There are a number of parameters on which battery technologies are compared, with the key parameters being specific energy density and specific power density. Specific energy density is a measure of the amount of energy that can be stored by a battery in comparison to its weight. Specific power density compares the rate at which energy is delivered relative to the weight of the battery, which is related to the acceleration and top speed of a particular vehicle. The faster the delivery of energy, the quicker a vehicle can get to top speed.

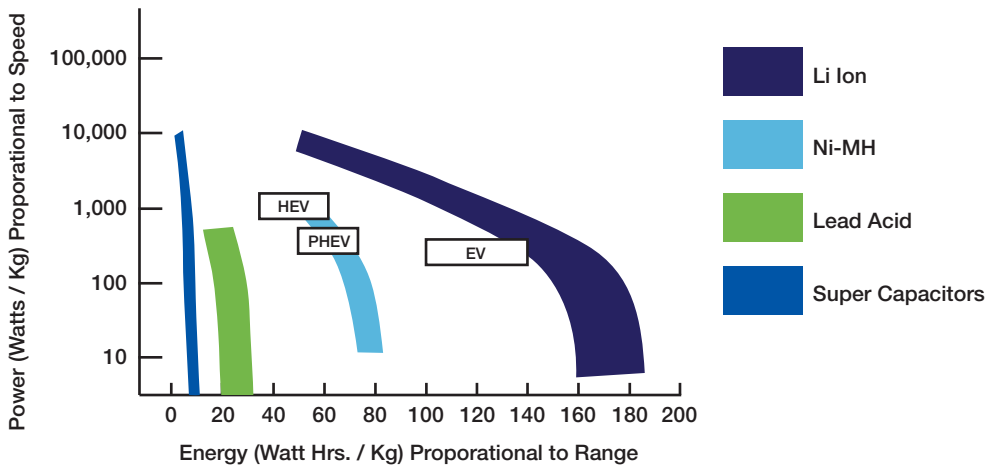
The figure below shows the three main battery types for vehicle applications, lead acid, NiMH and Lithium-ion, and how they compare on these parameters. The horizontal labels (HEV, PHEV and EV) demonstrate the in-principle power and energy requirements of each electric vehicle category based on its functional capabilities. Lithium-ion batteries are

1. Sources: Meridian International Research, December 2006, and Electric Power Research Institute, December 6, 2006.

4. Industry Background

optimised for high specific energy density and are the only battery technology that can achieve the energy storage capacity required to match the performance of traditional fuel vehicles, without excessive weight compromising vehicle performance. Consequently, as illustrated in the below chart, demand for lithium is expected to increase as vehicle electrification moves toward full EVs from HEVs and PHEVs.

Battery Power and Energy Characteristics



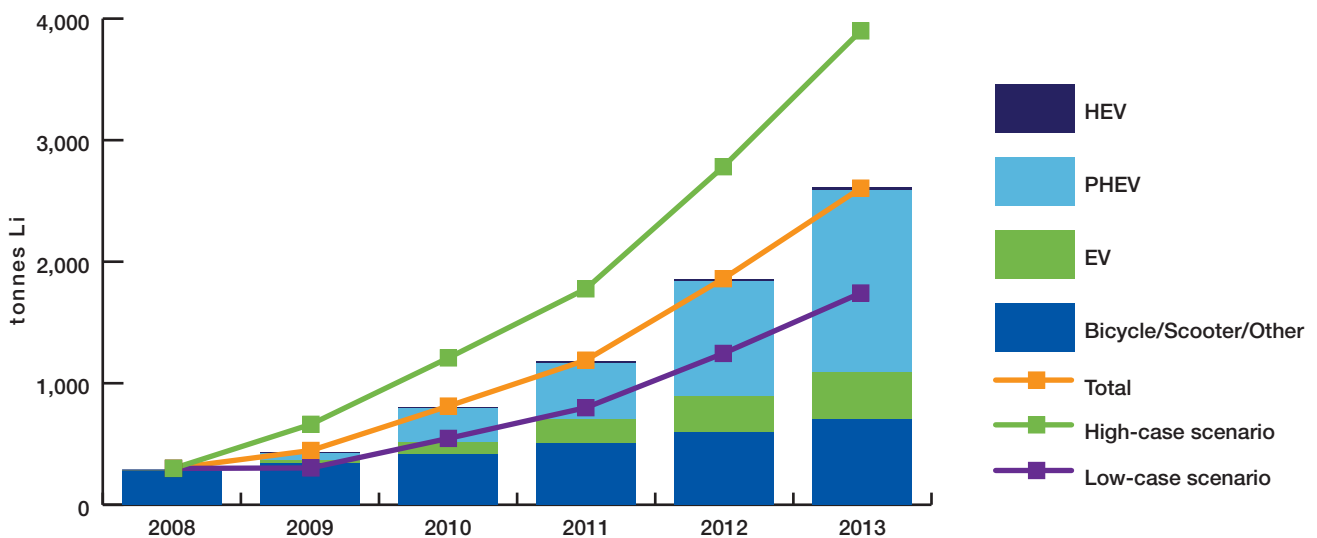
Source: "Batteries for Electric Drive Vehicles – Status 2005", December 6, 2006, Electric Power Research Institute

Determining the future growth in EVs is difficult to predict and there are a wide range of forecasts as to the number of EVs that will be on the road within the next decade and the resultant additional potential lithium consumption requirement. However, there have been a number of government stimulus packages recently announced to advance the development and production of EVs including:

- the United States Government's announced funding of U.S.\$2.45 billion in grants for battery makers, automakers and suppliers for vehicle electrification with the objective of having one million PHEVs/EVs on the road by 2015;
- the German Government's National Development Plan on Electric-Drive Vehicles to have one million PHEV/EV's on the road by 2020; and
- China's pilot incentive program for "new energy" public and service-sector vehicles, such as buses, taxis and government-use vehicles.

While recognizing the difficulty in determining future growth in the EV market, Roskill has undertaken an analysis of the potential growth in lithium consumption to 2013 from transport applications. Assuming base case production forecasts of approximately 30,000 vehicles using lithium-ion batteries in 2009, Roskill estimates an increase to approximately 600,000 for such vehicles by 2013. High case and low case scenarios, assuming EV production is 50% higher or 33% lower than the base case, are shown in the figure below.

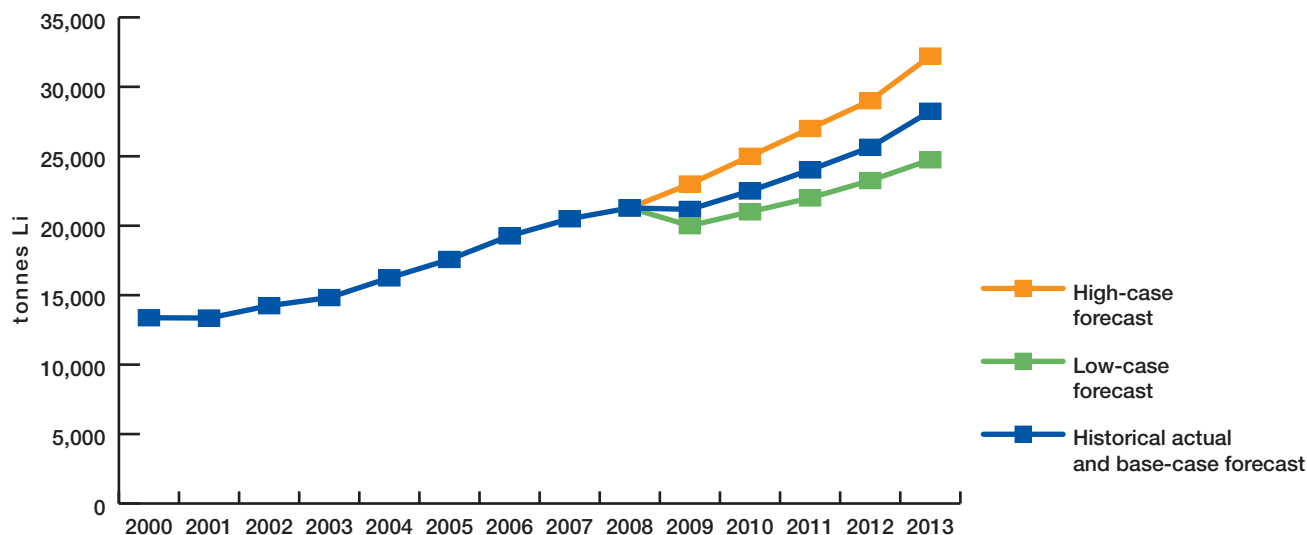
Forecast Demand for Lithium Batteries for Transport Applications



Source: Roskill

Historical lithium demand is presented in the chart below with Roskill's base case, high case and low case estimates for the potential future growth in lithium demand. The low case scenario is based on a longer than forecast downturn in economic growth and delays in the introduction of mass produced EVs. The high case scenario is based on a swift recovery in global economic growth from the second half of 2009 and higher growth in demand for lithium secondary batteries for use in EVs.

Historical and Forecast Demand for Lithium



Source: Roskill

Despite near-term uncertainty as to the growth of lithium-ion batteries in the EV market, the Company believes the increasing drive for lower carbon emissions by governments and consumers, significant investments by a number of governments globally in new battery technology for transport applications, and technology improvements within car manufacturers themselves, will provide future growth opportunities for the lithium industry.

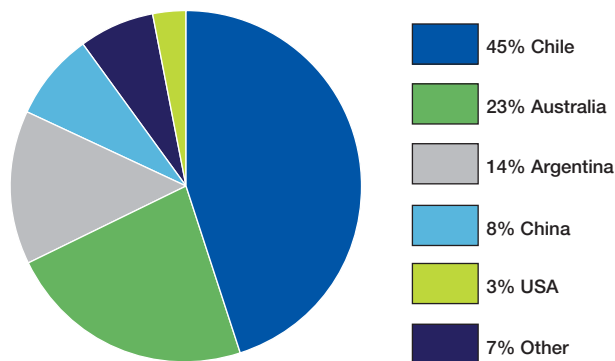
4.4 Lithium Supply

Global production of lithium is highly concentrated both geographically and in corporate ownership. As illustrated in the charts below, of approximately 22,800t Li (121,364t LCE) production in 2008, as estimated by Roskill, over two-thirds was sourced from Chile and Australia, and 85% of global production was from four companies.

Commercial lithium production currently comes from two sources:

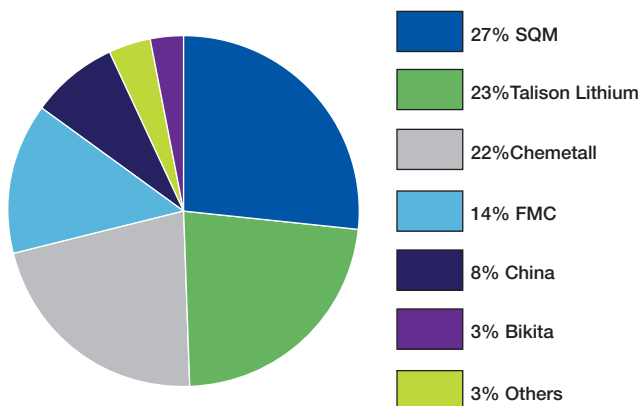
- Minerals: pegmatite rock deposits containing lithium bearing minerals; and
- Brines: lithium rich brines from salt lakes.

Lithium Production by Country, 2008



Source: Roskill

Lithium Production by Company, 2008



Source: Roskill

Note: "SQM": Sociedad de Quimica y Minera de Chile SA; "Chemetall": Chemetall GmbH; "FMC": FMC Corporation; "Bikita": Bikita Minerals (Pvt) Ltd.

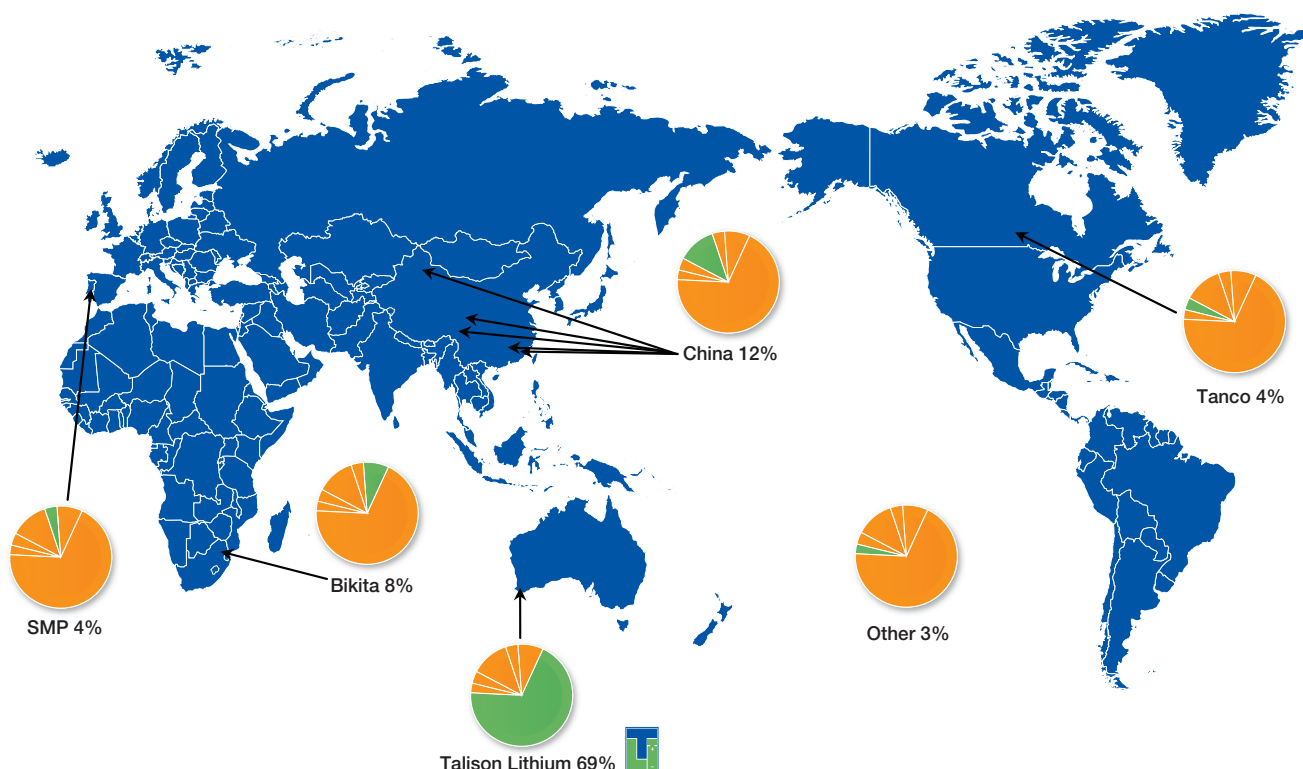
4. Industry Background

4.4.1 Minerals

Lithium can be contained within hard rock minerals. There are three lithium minerals commercially mined today: spodumene, petalite and lepidolite. Spodumene is the most important commercially mined lithium mineral given its higher inherent lithium content. Both open pit and underground mining methods are used to extract lithium minerals. Typically the mineralised rock contains approximately 12% to 20% spodumene, or approximately 1% to 1.5% Li₂O.

Once extracted, the lithium mineral ore is crushed and subjected to a number of separation processes to upgrade the lithium content by removing waste materials. Different separation processes will produce concentrate with differing levels of lithium content, which can be used in either the technical or chemical-grade markets. Chemical grade lithium concentrate sold to chemical producers undergoes additional processing through the sulphate route process to convert the chemical-grade lithium concentrate to a variety of lithium chemicals including lithium carbonate, lithium chloride and lithium hydroxide.

The global location and market share of the major mineral producers is presented in the figure below with a total production for 2008 of approximately 7,700t Li (40,987t LCE).



Source: Talison Lithium

Note: "SMP": Sociedade Mineira de Pegmatites, LDA; "Bikita": Bikita Minerals (Pvt) Ltd; "Tanco": Tantalum Mining Corporation Limited.

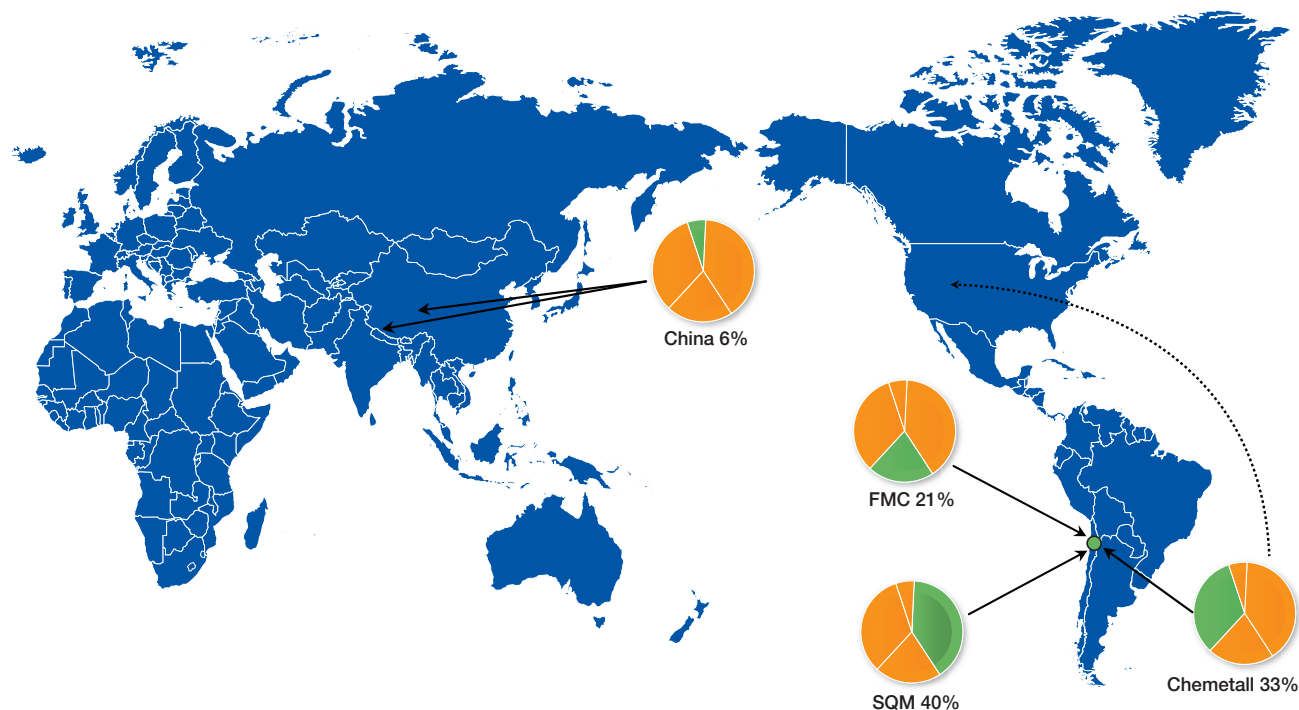
4.4.2 Brines

Lithium brine lakes are formed at high altitude in basins where water which has leached the lithium from the surrounding rock is trapped and concentrated by evaporation. The process of extracting the lithium from brines involves pumping the brines into a series of evaporation ponds to crystallize other salts, leaving a lithium-rich liquor. This liquor is further processed to remove impurities before conversion to either lithium carbonate or lithium chloride or further upgrading to lithium hydroxide. The majority of the products from the brine operations are destined for the chemical application markets, with the remainder consumed in technical applications.

There are currently six operating brines facilities owned by five companies:

- Sociedad de Quimica y Minera de Chile SA, historically the world's largest lithium brine producer, has operations in the Salar de Atacama region in Chile;
- Chemetall GmbH has operations in Chile adjacent to SQM's Salar de Atacama facility, as well as the Silver Peak plant in Nevada, United States of America;
- FMC Corporation has a brine operation at the Salar del Hombre Muerto in north west Argentina;
- Tibet Zabuye Lithium Industry High Technology Co., Ltd. has operations in Zabuye Salt Lake in western Tibet; and
- Qinghai CITIC Guoan Science and Technology Co., Ltd. has operations near Golmud in central Western China.

The global location and market share of the major brines producers, representing a total production for 2008 of approximately 15,000t Li (80,377t LCE), is presented in the figure below.



Source: Talison Lithium

Note: "SQM": Sociedad de Quimica y Minera de Chile SA; "Chemetall": Chemetall GmbH; "FMC": FMC Corporation.

4.4.3 Potential New Projects

The growth in lithium demand has resulted in renewed interest in the development of new and previously known lithium resources worldwide. There are a number of undeveloped lithium brine deposits currently being assessed in Argentina, Bolivia, China and the United States of America.

The development of lithium mineral projects is also being actively pursued in China, Canada, Finland, Serbia, the United States of America and Australia.

4.5 Supply Outlook

Chemical Market

An increase in demand for lithium in the near term can likely be met by the existing lithium producers, either through current latent capacity or planned expansion. For example:

- Talison Lithium has the ability to expand production of lithium concentrates as the market grows (see Section 5.8); and
- SQM recently increased production capacity by approximately 1,878tpa Li (10,000 tonnes per annum (tpa) LCE) to approximately 7,515tpa Li (40,000tpa LCE).

Technical Market

In September 2009, Tantalum Mining Corporation Limited announced the suspension of its spodumene operations at

its Bernic Lake Mine in Canada. This leaves Talison Lithium as the sole source of spodumene minerals for the international technical market. The producers of petalite minerals and lepidolite minerals also supply the technical market.

4.6 Prices

Chemical-Grade

There is no exchange traded market for lithium concentrates as prices are set by negotiation between producers and customers. Prices for lithium concentrates used for conversion into chemicals are correlated to, and tend to follow the same trend as, lithium carbonate prices.

According to Roskill, prices for lithium carbonate were in the range of U.S.\$4,000/t in the early 1990s until SQM entered the market in 1996. SQM adopted an aggressive pricing policy which resulted in lithium carbonate prices falling to as low as U.S.\$1,600/t. Prices remained low into the early 2000s resulting in FMC suspending production at its Salar del Hombre Muerto operation in Argentina. Prices started to rise again in 2004 as consumption increased, leading FMC to recommence production at Salar del Hombre Muerto.

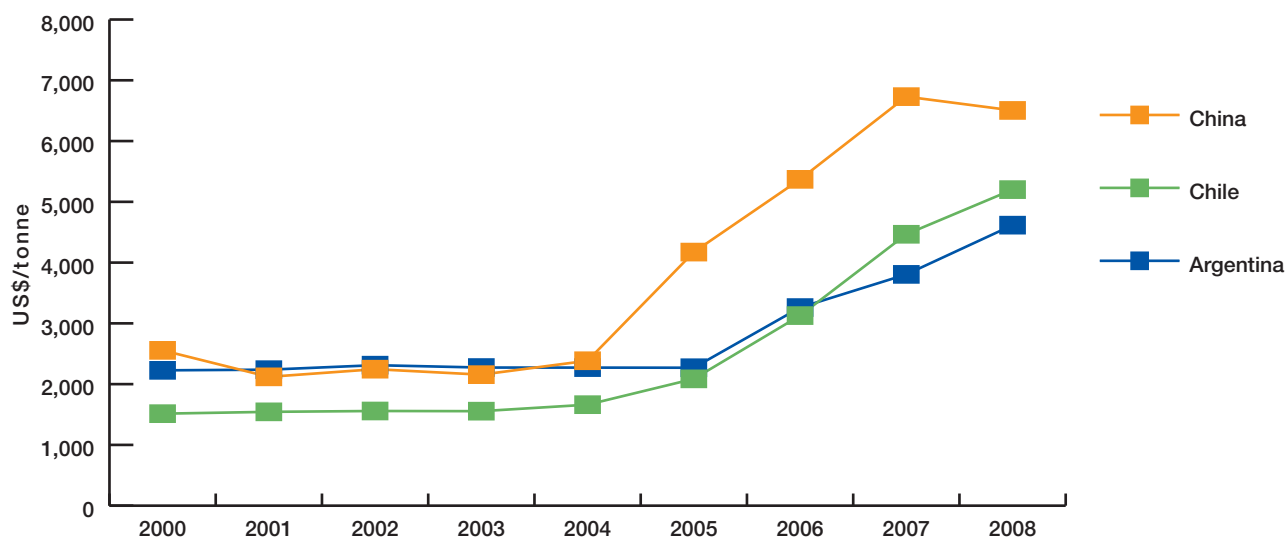
In 2005, continued growth in demand and delays to the South American brines producers' expansion programs resulted in aggressive price increases for lithium chemicals in China until 2008, when new capacity from brines producers

4. Industry Background

entered the market and Chinese prices flattened. Prices for South American brines supply increased steadily through 2008 until a general stabilisation of prices across all markets in 2009 and were, according to Industrial Minerals magazine, in the range of U.S.\$6,000 to U.S.\$6,600 per tonne of lithium carbonate. However, in October 2009, SQM announced a 20% reduction in lithium chemical prices on renewal of its existing contracts. At the same time, FMC announced a 7% to 8% price increase for its butyl lithium products.

The following chart sets out the average values of exports of lithium carbonate in the three leading producing countries from 2000 to 2008.

Average Values of Exports of Lithium Carbonate by Leading Producing Countries



Source: Roskill

Technical-Grade

Lithium mineral producers sell a range of products including different mineral types and levels of lithia content and, as such, there is no standard technical-grade lithium concentrate price. Prices for technical-grade lithium concentrates are negotiated on a contract by contract basis and tend to be based on the lithia content of the lithium concentrate.



Company Background



05

5. Company Background

5.1 Overview

Talison Lithium is a leading global producer of lithium. Talison Lithium mines and processes the lithium bearing mineral spodumene at Greenbushes near Perth, Australia. Management believes that the Greenbushes Lithium Operations host the world's largest known Ore Reserve of lithium minerals. In 2008, Talison Lithium produced approximately 69% of the world's lithium minerals representing approximately one quarter of the world's lithium. Talison Lithium produces a range of lithium concentrates which are distributed to a well-established global customer base.

Talison Lithium produces two categories of lithium concentrates:

- (i) technical-grade lithium concentrates which have low iron content for use in the manufacture of, among other applications, glass, ceramics and heat-proof cookware; and
- (ii) a high yielding chemical-grade lithium concentrate which is used to produce lithium chemicals which form the basis for manufacture of, among other applications, lithium-ion batteries for laptop computers, mobile phones and electric cars.

Talison Lithium does not produce lithium chemical products itself, instead it sells lithium concentrate to customers for processing into lithium chemicals, primarily lithium carbonate.



Greenbushes Lithium Operations

5.2 Objectives

The Company's principal objective is to grow shareholder value by:

- leveraging the competitive advantages from the Greenbushes Lithium Operations and the skills of its workforce;
- building on Talison Lithium's global market position;
- further enhancing the efficiency of the Greenbushes Lithium Operations;
- ensuring sufficient Ore Reserves have been defined to meet both current and anticipated future demand;
- responding rapidly to growth opportunities;
- maintaining a healthy, safe and environmentally responsible workplace to support a long-term, sustainable operation; and
- strengthening the Company's balance sheet by repaying all existing senior debt.

5.3 Strategies

To achieve the principal objective, the Company's proposed short to medium-term strategies include:

- continually refining the Company's lithium concentrate range to meet customer needs;
- incrementally expanding lithium concentrate production to meet market demand;
- delineating additional Mineral Resources and Ore Reserves within the Greenbushes Lithium Operations through additional drilling;
- assessing merger and acquisition opportunities and continuing to evaluate downstream processing opportunities;
- continuously improving operations and processes to maintain competitive advantages; and
- developing innovative processes to improve operational efficiency and cost competitiveness.

5.4 Location and History

The Greenbushes Lithium Operations are located directly south and immediately adjacent to the town of Greenbushes, approximately 250km south of Perth, Western Australia, and 90km south-east of the Port of Bunbury, a major bulk handling port in the south-west of Western Australia. The Greenbushes Lithium Operations produce a range of lithium mineral products, and have a well-established global customer base.

The Greenbushes Lithium Operations are located in an agricultural region comprising mainly dairy farming, orchards, forestry and vineyards. As a result of the attractive location of the Greenbushes Lithium Operations, both in proximity to Perth and also the holiday regions of south-west Western Australia, Talison Lithium is able to recruit and retain a talented and stable workforce, who generally live in the local area.

Management believes that the quality and stability of this workforce is a major competitive advantage which has contributed significantly to growth and improved performance of the Greenbushes Lithium Operations over an extended period.

The Greenbushes area is recognised as the longest continuously operated mining area in Western Australia. Tin mining commenced in the Greenbushes area in 1888 and mining of tantalum started in the 1940s. The initial development of the lithium ore body at Greenbushes commenced in 1983 and a 30,000tpa lithium processing plant was commissioned in 1985 to produce a variety of different lithium concentrates for the technical-grade market. The processing plant capacity was increased to 100,000tpa in the early 1990s and to 150,000tpa capacity by 1997, including the ability to produce a lithium concentrate for the production of lithium chemicals.

Talison Minerals was incorporated in 2007 for the purpose of acquiring the advanced minerals business of Sons of Gwalia (Subject to Deed of Company Arrangement) (**Sons of Gwalia**). The advanced minerals business included lithium and tantalum mining and processing operations in the Greenbushes area of Western Australia, tantalum mining and processing operations at Wodgina in Western Australia, and marketing of tantalum and lithium, which is currently carried out from Talison Minerals' office in Perth, Australia.

Since 2005, there has been an increase in demand from Chinese producers of lithium chemicals. In response to this demand, a chemical-grade lithium concentrate was produced from Talison Minerals' idled tantalum plant. However, in order to improve their competitiveness in the lithium chemicals markets, Talison Minerals' Chinese customers required a higher Li_2O content chemical-grade lithium concentrate, that would give them improved efficiency in the production of lithium chemicals. In 2009, a new chemical-grade lithium concentrate plant, meeting the needs of the Chinese chemical producers, was commissioned by Talison Minerals at a cost of A\$9.8 million. At the same time, the technical-grade plant was modified at a cost of A\$2.5 million to improve flexibility of product range by providing the ability to operate the plant in a variety of operating modes. In 2008, Talison Minerals commenced an expansion of one of its main pits in order to ensure access to technical-grade ore in the future.

5.5 Current Operations

The Greenbushes ore body is a highly mineralised zoned pegmatite with a strike length of more than 3km. The pegmatite contains zones of spodumene and tantalum rich minerals which can be mined and processed selectively. Management believes that the Greenbushes Lithium Operations' Ore Reserve is unique among known lithium deposits in that it contains approximately 50% spodumene (a lithium bearing mineral containing approximately 8% Li_2O). The Greenbushes Lithium Operations currently have delineated Ore Reserves of 10Mt at 3.9% Li_2O . Management believes that this is the world's largest known lithium mineral Ore Reserve.

Management believes that there is scope to further increase lithium Ore Reserves and extend mine life at the Greenbushes Lithium Operations with additional drilling to convert Inferred Mineral Resources to Indicated Mineral Resource status and further opportunities exist to either increase production or extend mine life with additional exploration drilling. In addition, the orebody remains open both along strike and at depth.

Lithium ore is mined using conventional drill and blast, load and haul open pit operations from two pits, known as the "C3 pit" and the "C1 pit". The load and haul fleet consists of a 120t hydraulic excavator, four 85t dump trucks (with six trucks available but requiring four trucks for most hauls) and an auxiliary fleet including front end loader, track dozer, rubber-tyred dozer, water truck and grader; these operations are carried out by mining contractor. Ore is taken to the run of mine pad where it is stockpiled (prior to processing) according to ore type, mineralogical characteristics and grade.

There is sufficient capacity from the C3 pit to supply Talison Lithium's current customers for both technical and chemical-grade concentrates. Production can be sourced from the C1 pit located to the south of the C3 pit if additional feedstock is required to meet increased demand for chemical-grade lithium concentrate.

In 2008, an expansion of the C3 pit commenced to ensure continued access to technical-grade ore in the future. The ore is crushed through a four-stage crushing circuit prior to processing.



Talison Lithium has two processing plants, one producing technical-grade lithium concentrates and one producing chemical-grade lithium concentrate, located at the mining operations. Ore containing 3.5% to 4.5% Li_2O is fed into the processing plants which upgrade the lithium mineral, using gravity, heavy media, flotation and magnetic processes, into a range of lithium concentrates for bulk or bagged shipment.

5. Company Background



Greenbushes Lithium Operations

Capacity at the processing plants at the Greenbushes Lithium Operations can be increased through a series of incremental planned capacity expansions to respond to increased demand for Talison Lithium's lithium concentrates. If required, these capacity expansions can be completed sooner to respond to increased demand for Talison Lithium's lithium concentrates. Such expansions, could, if required, be funded from operating cash flow.

A summary of the last five years' production performance of lithium concentrate from the Greenbushes Lithium Operations is shown in the table below:

Recent Production History Of Lithium Concentrate

Year Ending June 30	Total Lithium Concentrates Produced	Total Lithium Concentrates Produced
	(kt)	(kt LCE)
2005	146	21
2006	183	25
2007	271	37
2008	235	33
2009	209	31

Note: "kt" = thousand tonnes; the 2007 lithium concentrates include crushed ore.

During the period 2005 to 2008, demand from the Chinese producers of lithium chemicals was satisfied by initially supplying crushed spodumene ore and later by using Greenbushes' primary tantalum plant which had been on care and maintenance. Both crushed ore and products from that plant had a lower grade than preferred by the Chinese customers. However, these products were supplied as a stop gap measure until Talison Lithium's chemical grade

production capacity was increased to supply conversion efficient chemical-grade lithium concentrate with a higher Li_2O content, developed in cooperation with its chemical customers.

Processing operations at the Greenbushes Lithium Operations were upgraded in early 2009 to the current nominal capacity of 600ktpa of ore feed yielding approximately 260ktpa of lithium concentrate which, depending on product mix, equates to between 38ktpa and 40ktpa LCE at a range of concentrate grades tailored to the market. During the year ended June 30, 2009, 71,000t of technical-grade lithium concentrate and 138,000t of chemical-grade lithium concentrate were produced. The processing plants have various operating modes allowing them to produce a variety of different lithium concentrates to meet specific customer requirements.

The Greenbushes Lithium Operations' workforce comprises 112 direct employees and approximately 50 contractors. The average length of service per direct employee is eight years and direct employees are party to non-union labour agreements or common law contracts.

5.6 Talison Lithium Products

Talison Lithium produces a range of lithium concentrates with differing levels of lithia which are split into technical-grade and chemical-grade products. Technical-grade lithium concentrates are sold into the glass and ceramic markets. Chemical-grade lithium concentrate is sold to processors for conversion into lithium chemicals.

Technical-Grade Lithium Concentrates

Talison Lithium's technical-grade lithium concentrates range from 4.8% to 7.5% Li_2O and contain low levels of iron. The higher grade lithium concentrates are virtually pure spodumene (lithium bearing mineral containing approximately 8% Li_2O). Technical-grade lithium concentrates are commonly used in the manufacture of glass, ceramics, where discoloration from iron is a concern, and metallurgical powders.

Talison Lithium plans to continue producing technical-grade products from the Greenbushes Lithium Operations. Major growth in the supply of technical-grade products from alternative suppliers is unlikely in the short-term as the majority of minerals projects currently being evaluated are targeting the chemical market due to the high iron content of their mineral deposits, rendering them unsuitable for most technical market applications.

Chemical-Grade Lithium Concentrate

Talison Lithium's chemical-grade lithium concentrate product contains 6% Li_2O and has a higher iron content than technical-grade concentrate. Talison Lithium sells its chemical-grade lithium concentrate directly to a number of major Chinese lithium chemical producers to be converted into lithium carbonate and lithium hydroxide. Talison Lithium believes that Chinese lithium chemical producers that consume its chemical-grade lithium concentrate are cost competitive with some brines producers.

5.7 Sales, Marketing and Distribution

Although geographically located in relatively close proximity to the rapidly growing Asian market on which Talison Lithium has been able to capitalise, Talison Lithium also has a global business with a unique product offering of technical-grade and chemical-grade lithium concentrates that are suitable for a wide variety of industrial and specialty applications in a variety of markets. Talison Lithium continually works with its extensive customer network to refine and develop its lithium concentrates to meet the needs of end users. Talison Lithium does not produce lithium chemical products itself. Instead, it sells lithium concentrate to customers for processing into lithium compounds, primarily lithium carbonate.

There is no terminal market for lithium. The industry is akin to a specialty chemical industry, where pricing is determined between buyer and seller through direct negotiations and can vary from pricing on a per delivery basis to pricing on an annual basis.

While Talison Lithium's chemical-grade lithium concentrate is only sold in China, current sales of its technical-grade lithium concentrates are distributed throughout the world, with the main regions being Europe, North America, China and other Asian countries. In terms of weighting, Talison Lithium's technical-grade distribution is approximately 40% to Europe, 10% to North America, 30% to China and 20% to other Asian countries. Except for China, most regions have a single customer representing between 20% to 30% of the region's sales, with the remainder based on a mixture of small and medium-sized customers.

Technical-Grade Lithium Concentrates

The success of Talison Lithium's sales into the technical-grade application market reflects the effectiveness of its distribution networks, the number of end users and the general size and frequency of their off-take.

Talison Lithium sells its technical-grade lithium concentrates directly and indirectly to customers in many different countries within Continental Europe and, among others, China, Japan, the United States of America and Mexico. Marketing of Talison Lithium's technical-grade lithium concentrates is carried out by nine exclusive distribution agents in each of the major geographical sales areas, who provide local storage and logistics support, as well as commercial, administrative and technical services. Through these distribution arrangements, Talison Lithium's lithium concentrates can be distributed to a broad range of end-use customers. These distribution arrangements are long standing, and each distribution agent is actively involved in developing markets for Talison Lithium's technical-grade lithium concentrates, through regular meetings and technical co-operation with customers.

In the key technical-grade areas of Europe and China, concentrate is generally shipped in bulk to strategically located warehouses for further distribution in smaller parcels and various forms of packaging to a multitude of varied size consumers. Given the logistics involved, local currencies, warehouse management, packaging, payment terms and various other factors, Talison Lithium believes that locally managed distribution centres are currently the most efficient method for managing cost and controlling the distribution of its products. To that end, Talison Lithium has entered into agreements with various distribution companies who have the appropriate competencies and finances to deal with these issues on behalf of the Company.

To better facilitate cash flows and minimize financial exposure, Talison Lithium deals with each of its agents on the basis that they manage individual sales and bear the payment risk. Other than in Europe, North America and Japan, Talison Lithium deals only in letters of credit. Through the distribution companies, Talison Lithium directly and indirectly supplies its technical-grade concentrates to over 250 consumers worldwide and has direct contact with a significant number of them.

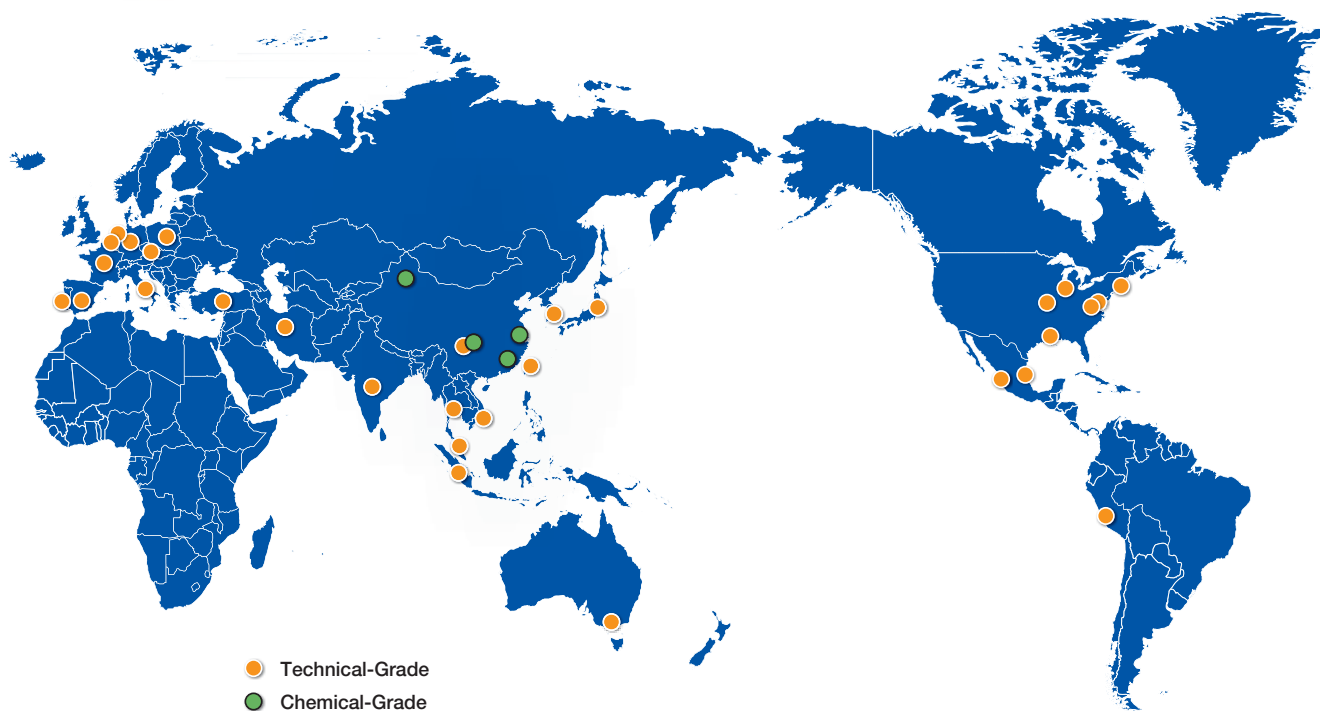
Chemical-Grade Lithium Concentrate

Talison Lithium sells all of its chemical-grade concentrate within China. Talison Lithium has a key customer, representing approximately 30% of Talison Lithium's total annual revenue, that purchases approximately 50% of Talison Lithium's chemical-grade concentrate under a three year agreement. The agreement with this key customer, which commenced on 1 January 2009, replaced previously negotiated annual contracts. Four other Chinese chemical companies purchase the remainder of the chemical-grade concentrate produced by Talison Lithium on a shipment by shipment basis. Management believes that, in the event any key customer terminates its relationship with the Company, Talison Lithium would be able to off-set any such disruption by selling such amount to the remaining Chinese chemical companies currently under contract and/or enter into new sales agreements with other Chinese chemical producers. See Section 7 for further information.

5. Company Background

The following map shows the location and distribution of Talison Lithium's current global key customers in respect of Talison Lithium's technical-grade and chemical-grade lithium concentrates.

Talison Lithium's Customer Network



5.8 Growth Opportunities

Talison Lithium intends to pursue a growth strategy that leverages off its strengths, including:

- the large high-grade Mineral Resource at the Greenbushes Lithium Operations;
- its established processing facilities;
- its skilled workforce and management team;
- an established sales and marketing distribution network; and
- its long-term customer relationships within the technical and chemical lithium markets.

Talison Lithium has planned for a series of incremental capacity expansions to the processing plant as lithium demand grows. If required, these capacity expansions can be brought forward to capitalise on escalation in the rate of growth in the lithium market or a faster than anticipated uptake in the EV market. Such expansions could, if required, be funded from operating cash flow. Talison Lithium has a history of responding to increased world demand for lithium. For example, the Greenbushes Lithium Operations were successfully expanded in 2006, 2007 and in 2009 in response to market demands. This more than doubled production capacity at the Greenbushes Lithium Operations. The most recent production expansion was commissioned in February 2009 and reached design capacity in May 2009,

demonstrating Talison Lithium's proven track record for successful, low capital cost incremental expansions.

To underpin future growth, Talison Lithium also intends to focus on delineating further Mineral Resources and Ore Reserves at the Greenbushes Lithium Operations through in-fill drilling, with an initial objective to upgrade the Inferred Mineral Resources to Indicated Mineral Resource status.

Talison Lithium has processing plants that have various operating modes allowing them to produce a variety of different lithium concentrates to meet specific customer requirements. Talison Lithium continually works with its customer network to develop lithium concentrates which best suit the needs of the end users and enable Talison Lithium to optimise financial performance. With rapidly evolving applications for lithium concentrates, Talison Lithium intends to continue to pursue these opportunities to add value to its product suite.

Talison Lithium's management team is experienced and pursues a continuous improvement strategy to maintain and improve Talison Lithium's cost competitive position. Key areas of focus include streamlining the product distribution system, implementing new technologies to improve processing efficiencies and a strong focusing on reducing operating costs at the Greenbushes Lithium Operations.

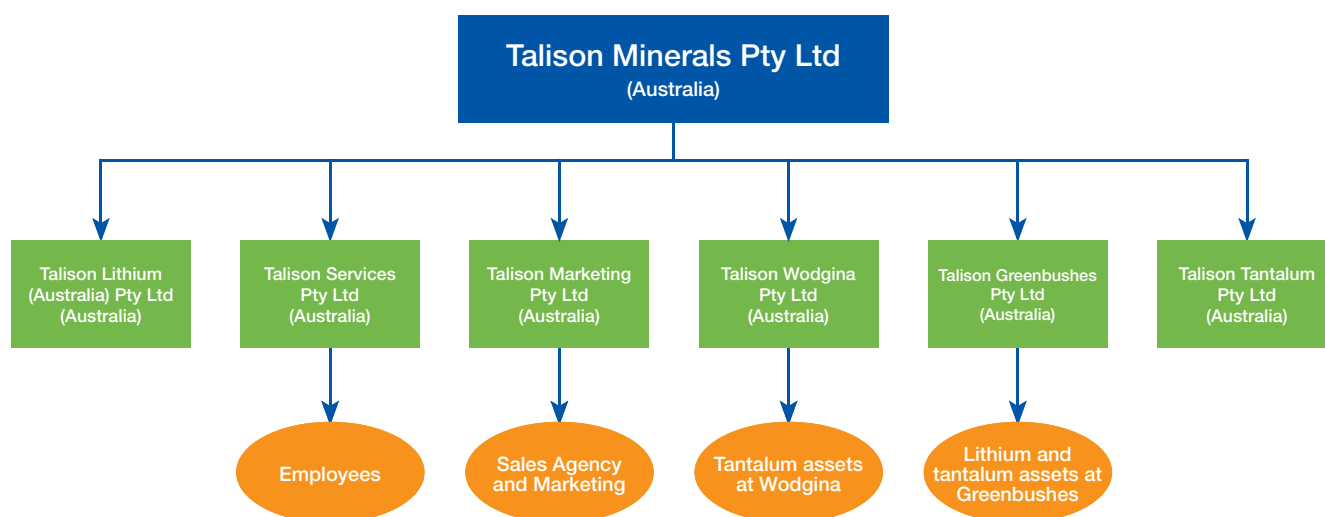
With the ongoing growth and evolution of applications for lithium, including its anticipated future use in EVs, Talison Lithium intends to utilise its industry expertise to assess a range of growth opportunities, including by way of mergers, acquisitions and/or involvement with downstream processing. Talison Lithium's management team continually monitors the lithium industry. Management believes that with a strong balance sheet following the Offering, Talison Lithium will be well placed to respond to growth opportunities.

5.9 Pre-Offer Reorganisation

Talison Minerals was incorporated in 2007 for the purpose of acquiring the advanced minerals business of Sons of Gwalia. The advanced minerals business included lithium and tantalum mining and processing operations in the Greenbushes area of Western Australia, tantalum mining and processing operations at Wodgina in Western Australia, and marketing of tantalum and lithium, which is currently carried out from Talison Minerals' office in Perth, Australia.

In late 2008, Talison Minerals made the strategic decision to suspend its tantalum operations and focus on lithium. At the same time, Talison Minerals expanded its lithium plant capacity at Greenbushes in order to take advantage of increased demand for lithium concentrates.

The corporate structure of Talison Minerals and its wholly-owned subsidiaries prior to the Pre-Offer Reorganisation is as follows:



In October 2009, Talison Minerals decided to reorganize its operations, with a view to separating its lithium and non-lithium assets into separate corporate entities (the **Pre-Offer Reorganisation**). Talison Lithium was formed in contemplation of the Pre-Offer Reorganisation which will have the effect of Talison Lithium holding the Greenbushes Lithium Operations and the tantalum assets being held by a separate entity owned by the Founding Shareholders. Following the completion of the Pre-Offer Reorganisation, Talison Lithium will not have any interest in the tantalum assets previously held by Talison Minerals, other than rights to lithium mineralisation, and Talison Lithium's sole material asset will be the Greenbushes Lithium Operations. The Offer is conditional upon completion of the Pre-Offer Reorganisation.

The Greenbushes Lithium Operations comprise real property, mining tenements, intellectual property, goodwill, contracts, and plant and equipment, including two lithium ore treatment plants, three open pit mines, and associated infrastructure at Greenbushes in Western Australia, but exclude an ore

crushing plant and mining rights to all other minerals other than lithium which will be owned by the Tantalum Group following the Pre-Offer Reorganisation.

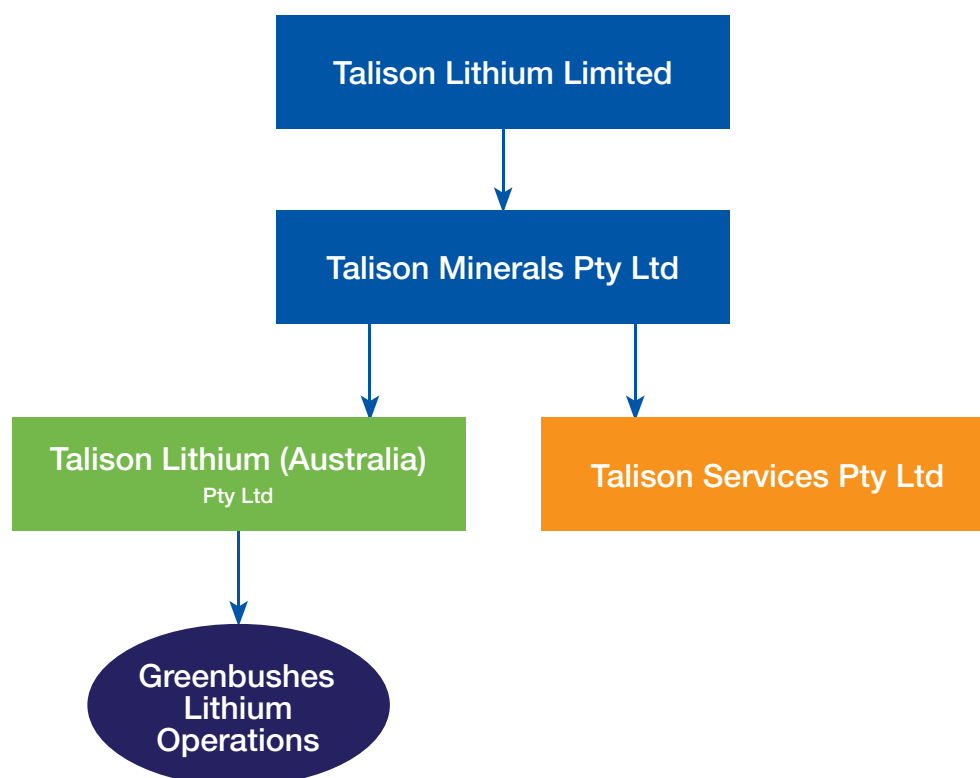
The Pre-Offer Reorganisation shall be effected through the following steps:

- (c) Talison Greenbushes will transfer all its lithium assets to TLA (**Lithium Asset Transfer**) in accordance with the terms and conditions contained in the Lithium Business Sale Agreement;
- (d) the Talison Minerals Group will transfer all its non-lithium assets to the Tantalum Group, and distribute all the shares in Talison Tantalum to the Existing Shareholders (as defined below) (**Tantalum Share Distribution**); and
- (e) the Existing Shareholders will grant the Company an option to acquire all of their shares in Talison Minerals. Upon exercise of that option, the Company will issue Shares to those shareholders in accordance with the terms and conditions of the Call Option Deed and the Employee Option Exercise and Share Option Deeds.

5. Company Background

Completion of the Pre-Offer Reorganisation is a condition to issuing the New Shares under the Offer and will occur prior to the issue of New Shares.

On completion of the Pre-Offer Reorganisation, the structure of the Group will be as follows:



The agreements giving effect to the Pre-Offer Reorganisation are conditional on the parties thereto obtaining all necessary regulatory approvals, including consent of the Minister responsible for administration of the Mining Act (**Ministerial Consent**) and approval under Australia's foreign investment policy from the Treasurer of Australia (the **Treasurer**) in accordance with the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth of Australia) (the **FATA**). As

a consequence of the Founding Shareholders being foreign persons under the FATA, notification is required to be provided to the Treasurer and the Treasurer must indicate there is no objection to the acquisitions to be made pursuant to the Pre-Offer Reorganisation (or the Treasurer becomes precluded from making an order under the FATA in relation to the acquisitions to be made under the Pre-Offer Reorganisation) (**FIRB Approval**).



Board Composition, Key Management and Corporate Governance

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6. Board Composition, Key Management and Corporate Governance

6.1 Directors of the Company

The Board brings relevant experience and skill including mining, financial management and corporate governance. The following table sets out information regarding the Company's Directors upon completion of the Offer:

Name	Position
Peter Oliver	Chief Executive Officer and Managing Director
Peter Robinson	Chairman of the Board
Frank Wheatley ¹	Executive Director – Corporate Affairs and Strategy
Mark Smith	Non-Executive Director
Mason Hills	Non-Executive Director
Bryan Ellis	Non-Executive Director
Ronnie Beevor	Non-Executive Director

Talison Lithium is intending to appoint at least one more independent Non-Executive Director to the Board as soon as practicable to further enhance its experience and capabilities, having regard to the Board's role in an ASX-listed company.

Peter Oliver – Chief Executive Officer and Managing Director

Prior to being appointed Chief Executive Officer and Managing Director, Mr. Oliver was employed as Chief Operations Officer of Talison Minerals from June 2009. 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 Wodgina and, in August 2007, Mr. Oliver transferred his employment to Talison Minerals. Mr. Oliver joined Sons of Gwalia in May 2003 and held a number of roles including Acting General Manager at Greenbushes. 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 and Director

Mr. Robinson is Chief Executive Officer and Managing Director of Talison Minerals. Mr Robinson was appointed in August 2007 and will remain as Chief Executive Officer and Managing Director of Talison Minerals until completion of the Offer. Prior to this, Mr. Robinson was Chief Executive Officer of Sons of Gwalia 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

¹ Mr Wheatley's employment is conditional on completion of the Offer.

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.

Frank Wheatley – Executive Director – Corporate Affairs and Strategy

Mr. Wheatley is Vice-President and General Counsel of Gebriel Resources Ltd, an exploration and development company focusing on gold projects in Romania and has held this position since 2000. Mr Wheatley is also the proposed Executive Director – Corporate Affairs and Strategy of Talison Lithium (conditional upon the completion of the Offer). 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 and LL.B. degrees from the University of British Columbia. Mr. Wheatley is also a director of Lithic Resources Ltd. (TSX Venture Exchange: LTH) and Portal Resources Ltd (TSX Venture Exchange: PDO).

Mark Smith – Non-Executive Director

Mr. Smith has been Chief Executive Officer and a director of Molycorp Minerals, LLC, a mining company that operates the Mountain Pass rare earth mine in California, and he has held that position since October 2008. Mr Smith is also a director of Avanti Mining Inc, and has held that position since November 2009. Prior to joining Molycorp Minerals LLC, 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 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 from the Colorado State University and a Juris Doctor cum laude from Western State University, College of Law.

Mason Hills – Non-Executive Director

Mr. Hills is Vice President – Legal of RCF. Prior to joining RCF 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 LL.B (First Class Honours) from Murdoch University. Mr. Hills is currently a director of Brandrill Limited (ASX: BDL), which provides drilling services to the mining and construction industries, and an alternate director of Bannerman Resources Limited (ASX: BMN; TSX: BAN), a uranium mining and exploration company.

Bryan Ellis – Non-Executive Director

Mr. Ellis has been President of International Marketing Executives Inc., a sales and marketing consultancy company to the resource industry, since May 2004. Mr. Ellis was Marketing Director of Sierra Rutile Ltd. from June 2003 to June 2004. Mr. Ellis has been involved in international sales and the marketing of minerals and metals for 30 years and held senior executive management roles in Australian, American and African mining companies. Mr. Ellis previously served as a director of Consolidated Rutile Limited and Bemax Resources Limited, both titanium and zirconium minerals producers. Mr. Ellis has a National Certificate in Engineering from Thurrock Technical College in the United Kingdom.

Ronnie Beevor – Non-Executive Director

Mr. Beevor has been chairman of EMED Mining Public Limited, an AIM listed mining and exploration company focusing on copper and gold since December 2004. 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 in 1972 with the Institute of Chartered Accountants in England and Wales. 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 and QMAG Limited.

6.2 Senior Management and Key Personnel

Profiles for the Chief Executive Officer and the proposed Executive Director Corporate Affairs and Strategy are set out in Section 6.1 above. The other members of senior management are listed below:

Name	Position
Lorry Mignacca	Chief Financial Officer and Company Secretary
Pat Scallan	General Manager of Greenbushes Lithium Operations
Paul Wallwork	Marketing Manager

Lorry Mignacca – Chief Financial Officer and Company Secretary

Mr. Mignacca has been the Chief Financial Officer and Company Secretary of Talison Minerals since August 2007. Prior to this, Mr. Mignacca was employed by Sons of Gwalia in a variety of accounting and commercial roles including Group Accountant, General Manager Accounting and Commercial General Manager from May 1991 to August 2007. Prior to this, Mr. Mignacca held a variety of finance positions with companies including Normandy Mining Limited, Barrack Mines Limited and Ernst & Young Chartered Accountants. Mr. Mignacca has a Bachelor of Business from Curtin University and is qualified as a Chartered Accountant with the Institute of Chartered Accountants in Australia.

Pat Scallan – General Manager of the Greenbushes Lithium Operations

Mr. Scallan has been General Manager of the Greenbushes Lithium Operations of Talison Minerals since August 2007. Prior to this, Mr. Scallan was General Manager of the Greenbushes Operations of Sons of Gwalia from October 1995 to August 2007. Prior to this, Mr. Scallan held a number of senior operational positions with Associated Minerals Consolidated at Eneabba and with RGC Limited at Capel, both are major operations in the Western Australian mineral sands industry that are currently owned by Iluka Resources Limited. Mr. Scallan holds a National Diploma of Cost Accounting from Vaal Triangle in South Africa and a Western Australian Quarry Manager Certificate from the Department of Mines, Western Australia.

Paul Wallwork – Marketing Manager

Mr. Wallwork has been Marketing Manager of Talison Minerals since April 2008. Mr. Wallwork was Marketing Manager for Europe and then Asia for Iluka Resources Limited, (ASX: ILU) a mining and processing company producing titanium minerals and zircon from March 2001 to April 2008. Prior to entering the mining industry, Mr. Wallwork worked for more than 10 years in technical, account management, sales management and market development roles in the chemicals industry with ICI Australia Limited and Wesfarmers CSBP Limited.

6.3 Corporate Governance

The Company recognises that good corporate governance plays an important role in its overall success and in enhancing shareholder value, and accordingly has adopted certain corporate governance guidelines.

The main policies and practices adopted by the Company, which will take effect immediately following the Pre-Offer Reorganisation, are summarised below.

6. Board Composition, Key Management and Corporate Governance

6.3.1 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The charter addresses the following matters and responsibilities of the Board:

- (a) influence, monitor and review the Company's strategic planning processes;
- (b) review and monitor the Company's approach to human resource management and executive compensation;
- (c) monitor the performance of committees of the Board;
- (d) provide guardianship of the Company's corporate values;
- (e) oversee risk management, verify that appropriate controls and management information systems have been established, review the principal risks associated with the company's business operations and monitor any material deficiencies in risk management systems;
- (f) review and monitor compliance with the Company's Code of Conduct;
- (g) review and monitor compliance with the Company's Communication Strategy and Disclosure Policy; and
- (h) oversee communications with shareholders and other stakeholders within the Company.

Lead Director

To comply with Canadian regulatory guidelines, the Board charter provides that if at any time Talison Lithium does not have an independent Chairman, the independent directors will appoint a Lead Director. The Lead Director's role is to ensure that board meetings are conducted in an independent manner. Peter Robinson is not independent, as a result of his prior appointment as Chief Executive Officer of Talison Minerals. Accordingly, Ronnie Beevor has been appointed Lead Director.

6.3.2 Board committees

The Board discharges its duties in relation to certain specific functions through the following committees of the Board:

- (a) Audit and Risk Management Committee;
- (b) Corporate Governance, Appointments and Remuneration Committee; and
- (c) Health, Safety, Environment and Sustainability Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee monitors and reviews the effectiveness of the Company's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

The Audit and Risk Management Committee discharges these responsibilities by:

- (a) performing the financial reporting duties of the Company, including overseeing the integrity of the Company's financial statements and financial disclosures, reviewing and recommending for the Board's approval all annual and interim financial statements, external auditors reports, financial disclosures securities offering documents, press releases disclosing or based upon financial results of the

Company, and any other material financial disclosure that is publicly disseminated;

- (b) overseeing the Company's relationship with its external auditor, reviewing the independence of the external auditor and overseeing the external audit function generally;
- (c) overseeing and reviewing the adequacy of the Company's internal system of controls;
- (d) performing risk management duties, including establishing and reviewing the Company's systems of risk oversight and management, administering the risk management policy, establishing risk management systems, identifying the Company's risk profile and establishing policies for the oversight and management of the Company's material business risks;
- (e) performing activities associated with legal and regulatory compliance, including reviewing management's evaluation or, and representations relating to, compliance with applicable laws; and
- (f) administering the Company's Whistleblowing policy.

The charter of the Audit and Risk Management Committee provides that the committee must have at least three independent members. Currently, Ronnie Beevor, Mason Hills and Mark Smith are members. Mason Hills is not independent by virtue of his employment with the Selling Shareholder. The Board intends to replace Mason Hills on the committee with an independent director.

Corporate Governance, Appointments and Remuneration Committee

The Corporate Governance, Appointments and Remuneration Committee is responsible for matters relating to recruitment and the appointment and remuneration of key executives and directors, corporate governance issues, succession planning and the Company's communications policies.

The objectives of the Corporate Governance, Appointments and Remuneration Committee include:

- (a) making recommendations to and assisting the Board in determining appropriate remuneration policies (including short and long term incentive plans) for key executives;
- (b) overseeing the selection and appointment practices for key executives and directors;
- (c) reviewing, assessing and making recommendations to the Board on the desirable competencies of the Board;
- (d) developing the Company's approach to corporate governance issues including conduct of periodic reviews of the corporate governance policies and making policy recommendations;
- (e) developing and implementing the Company's communication policies;
- (f) developing succession plans for the Board and overseeing the development of succession planning in relation to management;
- (g) assessing the performance of the members of the Board; and
- (h) reviewing, investigating and resolving breaches of the Code of Conduct adopted by the Company and reporting to the Board thereon.

In making recommendations to the Board regarding the appointment of Directors, the Corporate Governance, Appointments and Remuneration Committee will periodically assess the appropriate mix of skill, experience, independence and expertise required on the Board and assess the extent to which the required skills and experience are represented on the Board.

The charter of the Corporate Governance, Appointments and Remuneration Committee provides that the committee must have at least three members, the majority of which are independent. The current members of the committee are Mason Hills, Ronnie Beevor and Bryan Ellis. Mason Hills is not independent by virtue of his employment with the Selling Shareholder, and Bryan Ellis is not independent by virtue of his prior marketing consultancy engagement with Talison Minerals. Although the Committee is not entirely independent, no members of the Corporate Governance, Appointments and Remuneration Committee are directly associated with management. For this reason, the Company believes that the committee can be objective in determining executive compensation and executive appointments.

Health, Safety, Environment and Sustainability Committee

The Health, Safety, Environment and Sustainability Committee is responsible for reviewing and monitoring the sustainability, environmental, safety and health policies and activities of the Company and making recommendations to the Board where appropriate.

The responsibilities, powers and operation of the committee are set out in the Health, Safety, Environment and Sustainability Committee Charter, and include:

- (a) reviewing and monitoring the sustainability, environmental, safety and health policies and activities of the Company to ensure compliance with laws and regulations;
- (b) reviewing monthly sustainability, environmental, health and safety reports and annual reports by management on sustainable development, environmental, safety and health issues;
- (c) ensuring that principal areas of community, environmental, health and safety risks and impacts are identified and that sufficient resources are allocated to address these risks and impacts;
- (d) investigating or causing to be investigated, any extraordinary sustainability, environment, health and safety performance where appropriate; and
- (e) reviewing and making recommendations to the Board with respect to environmental aspects of acquisitions and dispositions with material environmental implications.

The Health, Safety, Environment and Sustainability Committee must have at least three members, the majority of which are independent. The current members of the committee are Bryan Ellis, Mark Smith and Peter Robinson. Bryan Ellis is not independent by virtue of his prior marketing consultancy arrangement with Talison Minerals. Peter Robinson is not independent by virtue of his prior position with Talison Minerals.

6.3.4 Code of Conduct

The Company has adopted a Code of Conduct which sets out the Company's commitment to maintain the highest level of integrity and ethical standards in all business practices. The Code of Conduct sets out for all Directors, officers and employees the standards of behaviour expected of them, and the steps that should be taken in the event of uncertainty or a suspected breach by a colleague.

The Code of Conduct is designed to promote:

- (a) honest and ethical conduct;
- (b) full, fair, accurate, timely and understandable disclosure;
- (c) avoidance of conflicts of interests;
- (d) compliance with applicable government laws, rules and regulations; and
- (e) the Company's culture of honesty and accountability.

A copy of the Code of Conduct can be found on the Company's website at www.talisonlithium.com.

6.3.5 Communications Strategy and Disclosure Policy

The Company places a high priority on communication with Shareholders, market participants, customers, employees, suppliers, financiers, creditors, other stakeholders and the wider community. The Communications Strategy and Disclosure Policy provides measures to ensure the Company's communications are in compliance with applicable laws and regulations. The goal of the policy is to ensure a consistent approach to the Company's disclosure practices and to ensure that the Company complies with its continuous disclosure obligations.

The policy applies to all Directors, officers, employees and insiders of the Company and covers a variety of communications, including (but not limited to) disclosure documents, written statements in the Company's annual and quarterly reports, press releases, letters to shareholders, presentations, information contained on the Company's website, oral statements made in meetings, speeches, telephone conversations, and general dealings with the public.

The Audit and Risk Management Committee is responsible for overseeing the Communications Strategy and Disclosure Policy.

6.3.6 Securities Trading Policy

The Company has adopted for the Securities Trading Policy to ensure dealings in the Company's securities are in compliance with the Corporations Act and the Ontario Securities Act, and to establish a best practice procedure in relation to dealings in the Company's securities by Directors, senior management, employees, contractors, consultants and advisors.

Directors, senior management, employees, contractors, consultants and advisors are not permitted to deal in the Company's securities during blackout periods, which will be determined by the Board. Executive Directors and senior management may only deal in the Company's securities after giving prior written notification to the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer) and the Company Secretary, and must subsequently notify the Company Secretary within two business days of any trade that has occurred.

6. Board Composition, Key Management and Corporate Governance

6.3.7 Whistleblowing policy

The Company has a Whistleblowing Policy which provides a procedural framework for confidential, anonymous submission of concerns regarding “whistleblower incidents” by Directors, officers and employees of the Company. “Whistleblower incident” is defined in the policy as a concern relating to the Company’s accounting, internal accounting controls or auditing matters. The Audit and Risk Management Committee, with the assistance of the Company Secretary, is responsible for administering the Whistleblowing Policy.

6.3.8 Employee, senior executive and Director incentive plans

Talison Lithium has introduced a short term incentive plan to reward senior management for financial performance in excess of set targets. A long term incentive plan is also in place where key employees and Directors may acquire Shares or rights to Shares.

Details of the terms and conditions of the plans are set out in Section 12.4.

6.3.9 Deeds of access, indemnity and insurance

Talison Lithium has entered into deeds of access, indemnity and insurance with each Director which confirm each Director’s right of access to certain books and records of Talison Limited, requires the Company to indemnify each Director to the full extent permitted by law for liability incurred as an officer of the Group and insure each Director against certain risks the Director is exposed to as an officer of the Group. See Section 12.15 for further information.



Risk Factors

07

7. Risk Factors

7.1 Introduction

There are a number of risks and uncertainties, both specific to the Company and its business, and of a more general nature to the mining industry and the economic climate, which either individually or in combination, may adversely affect the future operating and financial performance or financial position of the Company, its prospects, and/or the value of Shares and the outcome of an investment in the Company.

This Section 7 describes some of the risks and uncertainties associated with an investment in the Company. Prospective investors should specifically consider the factors contained in this Section 7 in order to fully appreciate the risks associated with an investment in the Company. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest. However, investors are advised that the list of risks and uncertainties in this Section 7 might not be exhaustive. Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company's future financial performance and financial position.

There can be no guarantee that the Company will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised. In addition, the price of the Shares may rise or fall and the prices at which the Shares are traded may be above or below the Final Price.

Prior to deciding whether to invest in the Company, potential investors should read the entire Prospectus and, in particular, consider the risk factors that could affect the financial performance and/or financial position of the Company. A number of operational and financial assumptions have been used in the preparation of various aspects of this Prospectus and the occurrence of risk factors might result in the assumptions being wrong or unachievable. This may impact upon the Company's existing and future operation and the forecasts. Investors should read these assumptions to understand how the forecasts have been calculated or made, and how changes in assumptions may influence the forecasts.

7.2 Risks relating to Talison Lithium's Business

The business activities of Talison Lithium are subject to a number of risks and uncertainties that could affect the Company and the industry in which it operates. These factors may substantially impact its future financial performance and/or financial position. The Directors believe that there are a number of specific risks relating to the Company's business that should be taken into account before investors make an investment decision. These are as follows:

Lithium Market and Lithium Concentrate Price

The continuing success of the Greenbushes Lithium Operations and, accordingly, Talison Lithium's profitability will be primarily dependent on the future sales volumes and prices that Talison

Lithium obtains for sales of lithium concentrate. Lithium concentrate contract prices are subject to fluctuation and are affected by a number of factors which are beyond the control of Talison Lithium. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollars and foreign currencies, global and regional supply and demand (e.g. continuing softness in the European market (which Talison Lithium expects will continue for the next 6-12 months), increased supply from new projects, expansion of existing operations, or substitution with alternative products in downstream markets), technological advancements, competitors that supply lithium concentrate and lithium mineral concentrates reducing their prices, and the political and economic conditions of major lithium-producing and consuming countries throughout the world. Low cost producers of lithium mineral concentrates may seek to increase their market share by substantially reducing prices. Further significant factors include China's ability to maintain current levels of growth and Chinese government policy with regard to importation of lithium concentrates, export of lithium chemicals and taxation or the imposition of tariffs on imports. Determining the future growth in EVs is difficult to predict and there is a risk that the EV market may not grow at the rate anticipated which could in turn have a negative impact on growth in demand and consumption of lithium. Further, there is a risk that lithium-ion batteries may not be introduced in EVs in the future. Future serious declines in the sales volume and prices that Talison Lithium obtains for lithium concentrate could cause continued development of, and commercial production from, the Greenbushes Lithium Operations' mining and processing properties to be impracticable. Depending on the price Talison Lithium obtains for sales of lithium concentrate, projected cash flow from planned mining operations may not be sufficient and Talison Lithium could be forced to discontinue development and production and may lose its interest in, or may be forced to sell some or all of, its mining and processing properties. Future production from Talison Lithium's mining properties is dependent on lithium concentrate prices that are adequate to make these properties economic. Furthermore, Ore Reserve calculations and LOM plans using significantly lower lithium concentrate prices and sales volumes could result in material write-downs of Talison Lithium's investment in its mining and processing properties.

Sales Risk Related to China

Talison Minerals, which will become a wholly-owned subsidiary of Talison Lithium following completion of the Call Option Deed, derives 100% of its sales of chemical-grade lithium from customers in China. Any changes to Chinese regulations or policy regarding lithium, lithium imports or international trade in general may negatively impact Talison Lithium's ability to sell its chemical-grade lithium in China which could have a material adverse effect on the Talison Lithium's business, financial condition and results of operations.

Currency Risks

Talison Lithium's revenue from operating and financing activities will be received in US dollars, while the majority

of Talison Lithium's operating expenses will be incurred in Australian dollars. From time to time Talison Lithium may borrow funds and may incur capital expenditures that are denominated in foreign currencies. Accordingly, minor foreign currency fluctuations may adversely affect Talison Lithium's financial position and operating results. Talison Lithium estimates that a one cent movement in the US\$ exchange rate will impact revenue by approximately A\$1.0 million. A significant portion of the funds raised under the Offer are to be applied to repay the US\$75 million to certain Founding Shareholders. Adverse movements in the US\$/A\$ exchange rate may result in a higher portion of the proceeds of the Offer being used to repay the existing debt. Talison Lithium has a policy to hedge a portion of future lithium concentrate sales against movements in the US\$/A\$ exchange rate. Currently, Talison Lithium has hedged 74% of its US\$ exposure for the period from October 2009 to December 2010 at US\$0.85. However, there is no assurance that a currency hedging program designed to reduce the risk associated with fluctuations in exchange rates will be successful. Hedging may not protect adequately against declines in the price of one currency relative to another. Although hedging may protect Talison Lithium from adverse movements in currency prices, it may also prevent Talison Lithium from benefiting fully from positive movements. As a result, Talison Lithium may be prevented from realizing possible revenues in the event that the price of one currency exceeds the price stated in such hedging arrangements.

Dependence on Limited Mining Properties

The Tenements will account for all of Talison Lithium's Mineral Resources and Ore Reserves and the potential for the future generation of revenue. Any adverse development affecting the progress of mining and processing operations on the Tenements such as, but not limited to, hiring and retaining suitable personnel and contractors and securing supply agreements on commercially suitable terms may have a material adverse effect on Talison Lithium's financial performance and results of operations. Because mines have limited lives based on Proved and Probable Ore Reserves, Talison Lithium will be required to continually replace and expand its Ore Reserves as its mines produce lithium concentrate if it wishes to extend its current LOM estimate. The production forecast in the Independent Technical Report in respect of lithium on the Tenements may not be correct. Talison Lithium's ability to maintain or increase its annual production of lithium concentrate in the future, beyond the current LOM estimated in the Independent Technical Report, will be dependent in significant part on its ability to expand Ore Reserves at the Greenbushes Lithium Operations.

Uncertainty in the Estimation of Ore Reserves and Mineral Resources

There is a degree of uncertainty to the estimation of Ore Reserves and Mineral Resources and corresponding grades being mined or dedicated to future production. Until Ore Reserves or Mineral Resources are actually mined and processed, the quantity of Mineral Resource and Ore Reserve

grades must be considered as estimates only. By their nature, estimates are imprecise and depend to some extent on interpretation. Any material change in quantity of Ore Reserves, Mineral Resources, grade or stripping ratio may affect the economic viability of the Greenbushes Lithium Operations. Future fluctuation in the prices and sales volumes that Talison Lithium obtains for its lithium concentrates, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revisions of such estimates. The volume and grade of Ore Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Ore Reserves and Mineral Resources, or of Talison Lithium's ability to extract these Ore Reserves, could have a material adverse effect on Talison Lithium's results of operations and financial condition. As further information becomes available through actual mining, ore reserve estimates may change. This may result in alterations to development and mining plans which may in turn adversely impact Talison Lithium's operations.

The Mineral Resources and Ore Reserves are composed of technical-grade and chemical-grade ore types. The accurate definition of these ore types during mining depends on appropriate grade control procedures. An increase in the geological complexity of the relationship between technical-grade and chemical-grade ore types with depth could increase the risk in accurate definition of these ore types during grade control and may impact on the proportion of the technical-grade ore available for processing.

Uncertainty Relating to Inferred Mineral Resources

Inferred Mineral Resources are quoted in the Independent Technical Report. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to resources with sufficient geological continuity to constitute additional Proved and Probable Ore Reserves in the future.

Production and Operating Risk

Mining operations, such as those at the Greenbushes Lithium Operations, generally involve a high degree of risk. Such operations are subject to all of the hazards and risks normally encountered in the mining and production of lithium concentrate, including unusual and unexpected geologic formations, seismic activity, open-pit wall failures, storage and handling of explosives, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Ore crushing and processing operations are subject to hazards such as equipment failure, fire (particularly in the processing plants), changes in ore characteristics such as rock hardness and mineralogy which may impact production rates and recovery of lithium concentrate, lithium yields, the ability to continue to produce products with current quality specifications, or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

7. Risk Factors

There are technical risks with the operation of the processing plant and related infrastructure required to produce the lithium concentrate. Because the Greenbushes Lithium Operations and infrastructure components of the project are interdependent, failure in any one of these areas would have adverse effects on Talison Lithium's lithium operations as a whole. If any part of the infrastructure fails, production of lithium concentrate may become uneconomic.

Although Talison Lithium's activities are primarily directed towards mining operations and the development of mineral deposits at the Greenbushes Lithium Operations, Talison Lithium may consider opportunities for expansion and/or opportunities to acquire other mining and processing rights as described in Section 5. There is no certainty that any expenditures made by Talison Lithium towards the search for, acquisition of or evaluation of mineral deposits or rights will result in commercial discoveries or acquisitions. The mining industry has in the past been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labour, and these shortages may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules. The operations of Talison Lithium can also be adversely impacted by: difficulties in operating plant and equipment; mechanical failure or breakdown; industrial and environmental accidents; industrial disputes; unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; delays in shipping and risk of cost escalation; availability and quality of water; availability and cost of power, gas and other utilities; and bush fires, adverse weather conditions and other natural disasters.

Uncertainty Relating to Production Estimates

Talison Lithium has prepared estimates of future production and future production costs for lithium concentrate at the Greenbushes Lithium Operations. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things:

- (a) the future demand for lithium concentrates; the ability of Talison Lithium to successfully implement and commission expansions in capacity;
- (b) the accuracy of Ore Reserve estimates; the accuracy of assumptions regarding ground conditions;
- (c) physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics, particularly relating to the ability to continue production of both technical-grade and chemical grade concentrates; and
- (d) the accuracy of estimated rates and costs of mining and processing.

Actual production may vary from estimates for a variety of reasons, including, among other things:

- (a) actual ore mined varying from estimates of grade, tonnage, dilution, metallurgical and other characteristics;
- (b) short-term operating factors relating to the Ore Reserves, such as the need for sequential development of ore bodies

and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, bush fires, earthquakes and pit wall failures; and

- (c) unexpected labour shortages or strikes.

Failure to achieve production estimates could have an adverse impact on Talison Lithium's future cash flows, earnings, results of operations and financial condition.

Total Cash Cost of Lithium Concentrate Production

Talison Lithium's operating costs to produce lithium concentrate are dependent on a number of factors, including the grade of Ore Reserves, mining costs, recovery, plant throughput, costs of utilities such as electricity and gas, the costs of consumables such as diesel, heavy fuel oil, chemical reagents, explosives and tires, shipping costs and labour costs. In the future, Talison Lithium's actual performance may differ from its historical performance. Failure to achieve estimated performance could have an adverse impact on Talison Lithium's future cash flows, earnings, results of operations and financial condition.

Environmental Risks and Hazards

All phases of Talison Lithium's operations are subject to environmental laws and regulations in the jurisdiction in which Talison Lithium operates, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation or regulatory action, if any, will not adversely affect Talison Lithium's operations. Environmental laws may change and make the mining and processing of ore uneconomic, or result in significant environmental or reclamation costs. Environmental hazards, which are unknown to Talison Lithium at the present time and which have been caused by previous or existing owners or operators of the properties, may exist on the properties on which Talison Lithium holds interests, and such hazards may cause Talison Lithium to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Talison Lithium is not aware of any existing environmental laws or issues which cannot be resolved or would materially limit Talison Lithium's ability to proceed with the ongoing mining and processing at its properties. However, production at the Greenbushes Lithium Operations involves the use of various chemicals, including those which are designated as hazardous substances. Talison Lithium has identified potential contamination from historic operations at its properties.

In accordance with the *Contaminated Sites Act 2003* (Western Australia), Talison Minerals has reported various sites located on its properties as potential contaminated sites. The sites are yet to be formally classified by the DEC. Talison Lithium monitors water quality throughout its properties. The monitoring data is reviewed annually by an outside, independent company whose report is appended to Talison Lithium's Annual Environmental Report which is submitted to both the DEC and DMP. Any trends in the data are investigated by Talison Lithium. Over a five year period, downward trends in pH have been noted at Greenbushes as well as upward trends in ions in the water such as sulphate and lithium. Total dissolved solids have also increased over this period. There is a risk that if water quality licence conditions are introduced in the future that require Talison to introduce additional control measures, there may be negative impacts on costs and potential for breaches of licence conditions.

Contamination from hazardous substances, either at its own properties, or other locations for which it may be responsible, may subject Talison Lithium to liability for the investigation and remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources.

However, there have also been historical issues in relation to the Greenbushes Lithium Operations regarding noise, dust exposure (which have been reported to the DEC) and other risks inherent in standard mining operations.

The close proximity of the Greenbushes Lithium Operations to populated areas may increase the likelihood of pollution, contamination, and specifically the impacts of noise or dust produced as a result of Talison Lithium's operations causing damage to life or property, environmental damage and possible legal liability.

Licenses and Permits

Many of the mineral rights, interests and agreements of Talison Lithium are subject to government approvals, licenses and permits. Talison Lithium believes it will hold all necessary licenses and permits under applicable laws and regulations to conduct operations at the Greenbushes Lithium Operations and the Tenements generally and believes that it is currently complying in all material respects with the terms of such license and permits. In the event that Talison Lithium breaches the conditions of its approvals, licences or permits, its may be subject to fines or penalties and mining, production and processing could be suspended by regulatory authorities. Such licenses and permits are subject to change in various circumstances. The granting, renewal and continued effectiveness of such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Talison Lithium will be successful in maintaining any or all of the various approvals, agreements, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, Talison Lithium may be curtailed or prohibited from continuing with its mining and processing operations,

or proceeding with any future exploration or development of the Tenements.

Talison Lithium identified a number of potential breaches of conditions of a licence granted under the *Environmental Protection Act 1986* (Western Australia) in relation to the Greenbushes Lithium Operations during the year ended June 30, 2009. These breaches were formally reported to the DEC. A number of the potential breaches relate to the tantalum operations which will not be acquired by Talison Lithium, and for which Talison Lithium will not be liable. The Talison Minerals Group has had (and continues to have) a co-operative relationship with the DEC and has not received any indication that a prosecution will be made. The risk however remains that the DEC may have sufficient grounds to prosecute with respect to potential breaches.

Costs of Remediation are Uncertain

Talison Lithium estimates that, as at 30 June 2009, the mine closure costs for the Greenbushes Lithium Operations, which includes remediation and the costs associated with the removal of contaminated materials, and capping and rehabilitating tailings and waste dumps, to be approximately A\$15.64 million.

The actual costs of remediation are uncertain and planned expenditures may differ from the actual expenditures required. It is not possible to determine the exact amount that will be required to complete remediation activities, and the amount that Talison Lithium is required to spend could be materially different than current estimates. Environmental bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on remediation over the life of a mine's operation. Although Talison Lithium includes estimated remediation costs in its mining plans, it may be necessary to revise the planned expenditures and the operating plan for the Greenbushes Lithium Operations in order to fund required remediation activities. Any additional amounts required to be spent on remediation may have a material adverse affect on Talison Lithium's financial condition and results of operations.

Government Regulation

Talison Lithium's mining, processing and future exploration and development activities are subject to various laws governing prospecting, mining, development, production, royalties and taxes, export licenses, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although Talison Lithium's mining and exploration activities are currently being conducted in a manner that complies in all material respects with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development or otherwise have a materially adverse effect on Talison Lithium's financial condition and results of operations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could

7. Risk Factors

have a substantial adverse impact on Talison Lithium and cause increases in capital expenditures or production costs or a reduction in levels of production. In particular, the carbon trading scheme proposed by the Australian government will, if implemented, have a financial impact on Talison Lithium and its operations. Failure to comply with applicable laws, regulations, agreements and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Human Resources

Talison Lithium's ability to manage its operations and development activities, and hence its success, depends in large part on its ability to retain current personnel and attract and retain new personnel, including management, technical workers, contractors and an operating workforce. Talison Lithium's ability to recruit and assimilate suitable new personnel will be critical to its performance. In addition, Talison Lithium depends on a relatively small number of key officers, the loss of any of whom could have an adverse effect on Talison Lithium.

Talison Lithium currently does not have key person insurance for these individuals. The international mining industry is very active and Talison Lithium may face increased competition for personnel in all disciplines and areas of operation. There is no assurance that Talison Lithium will be able to attract and retain personnel to staff the development and operating teams.

Native Title

The actual and potential existence of Native Title in Australia is recognised and protected in accordance with NTA.

The NTA and the recognition of Native Title at common law has created some uncertainty on ownership of and rights to develop some mining tenements in Australia and may impose restrictions on development and future production by Talison Lithium. The effect of the laws in respect of Native Title that apply in Australia is that mining tenement applications and existing tenements may be affected by Native Title claims or procedures. In this regard:

- (a) the existence of Native Title or a registered Native Title claim may preclude or delay granting of exploration and mining tenements pending resolution of statutory procedures imposed by the NTA. Considerable expenses may be incurred negotiating and resolving issues; and
- (b) if Native Title is determined to exist over any exploration or mining tenements held or acquired by Talison Lithium, an obligation may arise to compensate the Native Title holders for impairment to Native Title resulting from activities conducted on the exploration or mining

tenements in question. Similar compensatory obligations may arise when settling Native Title claims lodged over any tenements acquired by Talison Lithium.

There are four registered and two unregistered Native Title claims which affect the Tenements. Two of the registered and one of the unregistered Native Title claims affect Tenements which are material to the Greenbushes Lithium Operations. As at the date of this Prospectus, Talison Lithium is not aware of any determinations by the Federal Court of Australia that Native Title exists over the area of the Tenements. However, proceedings by various Native Title claimants for such determination have been commenced, and are continuing, in the Federal Court of Australia. Talison Lithium is unable to express an opinion on the likelihood of success of any application for determination of the Native Title exists over the area of the Tenements.

Native Title which may exist or otherwise be claimed in respect of the Tenements will not prevent the exercise of any validly granted rights and interests under the Tenements. The granted Tenements have all been validly granted pursuant to the NTA. However, if Native Title is determined to exist over any part of the Tenements and Native Title has not otherwise been extinguished in respect of that part, Talison Lithium may be required to pay compensation to the Native Title holder for impairment to such title as a result of activities conducted on any such part of a Tenement covered by valid Native Title. It is not possible to currently assess the extent of compensation that may be payable to a current or subsequent Native Title holder. At this stage, no Native Title compensation claim has been determined by an Australian court although there a number of claims for compensation that have been instituted but not yet heard. Timing of these determinations is uncertain. While all granted Tenements are valid as against Native Title, the Tenements comprise applications for three new mining and exploration tenements, the grant of which will need to comply with the statutory procedures imposed by the NTA in respect of the grant of future interests in land.

Aboriginal Heritage

The Aboriginal Heritage Act seeks to protect Aboriginal sites and objects and is particularly relevant to exploration and mining activity. It is an offence under the Aboriginal Heritage Act for a person to:

- (c) excavate, destroy, damage, conceal or in any way alter any Aboriginal site; or
- (d) in any way alter, damage, remove, destroy, conceal or deal with in a manner not sanctioned by relevant custom, or assume the possession, custody or control of, any object on or under an Aboriginal site,

without obtaining the consent of the relevant Minister under the Aboriginal Heritage Act.

A Register of Aboriginal Sites is kept under the Aboriginal Heritage Act and administered by the DIA. Aboriginal sites and objects are protected under the Aboriginal Heritage Act whether or not such sites or objects are recorded on the Register of Aboriginal Sites. Searches conducted with the DIA indicate that there is one registered Aboriginal heritage site

affecting five areas of land covered by the Tenements, being miscellaneous licence L01/01 and mining leases M01/01, M01/02, M01/04 and M01/10. Mining leases M01/06, M01/07 and M01/16 contain the entire Measured, Indicated and Inferred Mineral Resource and the facilities comprising the Greenbushes Lithium Operations, including tailings storage, processing plant, open pits and waste rock dumps, are currently carried out within the boundaries of Mining Leases M01/06, M01/07 and M01/16 plus General Purpose Leases G01/01 and G01/01. Searches conducted with the DIA indicate that there are no registered Aboriginal heritage sites on the areas of land covered by Mining Leases M01/06, M01/07 and M01/16 plus General Purpose Leases G01/01 and G01/02.

There may also be unregistered Aboriginal sites within the area covered by the Tenements. Although mining operations on parts of the Tenements have been conducted for over 100 years, the presence of sites of Aboriginal heritage significance on Tenements in which Talison Lithium has an interest may limit or preclude additional mining, exploration or construction activity within the area of those sites and delays and expenses may be experienced in obtaining clearances and approvals. Talison Lithium is not aware of any current issues associated with sites of indigenous heritage significance relating to the Greenbushes Lithium Operations.

However, failure to resolve issues associated with sites of indigenous heritage significance could impact adversely on the Greenbushes Lithium Operations.

No Assurance of Titles or Boundaries

Although Talison Lithium has exercised due diligence with respect to determining title to properties in which it will have a material interest, there is no guarantee that title to such properties will not be challenged or impugned, and title insurance is generally not available. Talison Lithium's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. There may be valid challenges to the title of Talison Lithium's properties, which, if successful, could impair development and/or operations or limit Talison Lithium's ability to enforce its rights with respect to its properties. Title is also subject to continued compliance with obligations under applicable laws and regulations, including minimum expenditure requirements, rent and royalty payments.

Exploration and Mining Tenements Forfeiture

The Western Australian title registration system provides for application for forfeiture of exploration and mining licences where there is, or has been, non-compliance with the prescribed royalties, rents or the Conditions of the tenement including expenditure conditions. Forfeiture may occur in one of a number of ways. A third party may file a plaint (an application for forfeiture) with the mining warden, who may in the case of prospecting or miscellaneous licences elect to forfeit the tenement or impose a fine not exceeding A\$10,000 for non-compliance with expenditure conditions and not exceeding A\$50,000 in any other case, or in the

case of exploration licences, mining and general purpose leases make a recommendation to the Minister for or against forfeiture.

In the latter case, the Minister may decide to forfeit the tenement, impose a fine not exceeding A\$50,000 per tenement, or impose no penalty. A tenement may not be recommended for forfeiture unless non-compliance is of sufficient gravity to justify forfeiture. Alternatively, an application for forfeiture can be made by the Minister if there has been non-compliance with the conditions of the licence or lease. In such cases, the Minister can forfeit the lease or licence upon recommendation for forfeiture from the warden or impose a fine not exceeding A\$50,000 per tenement, which if unpaid will result in forfeiture.

Exploration Risk

The exploration for, and development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish additional Ore Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; product prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Talison Lithium not receiving an adequate, or any, return on invested capital for any exploration activities that may be undertaken in the future.

Counterparty Risk

Talison Lithium's revenues from sales of lithium concentrate may be affected by counterparties to its sales contracts being unable to or refusing to accept or pay for contracted volumes of lithium concentrate or pay the contracted price for lithium concentrate. Talison Lithium may incur significant costs and ultimately be unsuccessful in recovering from counterparties in breach of their contractual obligations with regard to sales and supply of lithium concentrate.

Concentrated Customer Base

A few large distributors and one major customer account for a significant percentage of Talison Lithium's total revenue and Talison Lithium expects that those sales will continue to account, alone or in the aggregate, for a significant percentage of total revenue. This exposes Talison Lithium to the risk that a reduction of business volume from any of them could have a material adverse effect on Talison Lithium's business, financial condition and results of operations.

7. Risk Factors

Risks to Greenbushes Lithium Operations as a Result of Pre-Offer Reorganisation

Under the Pre-Offer Reorganisation, the lithium and tantalum businesses of Talison Minerals will be separated such that all of the lithium assets are ultimately held by Talison Lithium and all of the tantalum assets are ultimately held by Talison Tantalum.

Pursuant to the terms of the Lithium Business Sale Agreement, although TLA (a subsidiary of Talison Lithium) will be transferred and hold title to the Tenements, mining rights to all minerals other than lithium on the Tenements are reserved by Talison Greenbushes (a subsidiary of Talison Tantalum) and are subject to a separate Reserved Rights Agreement. The Reserved Rights Agreement gives Talison Greenbushes the right to access the Tenements to explore for, and mine if economically viable, non-lithium minerals.

The transactions contemplated by the Pre-Offer Reorganisation require, and are conditional upon, FIRB Approval being obtained. The transfer of the mining leases, general purpose leases and miscellaneous licence and any tenement granted pursuant to the applications comprised in the Tenements by Talison Greenbushes to TLA under the Lithium Business Sale Agreement will require the consent of the Minister. Under the Lithium Business Sale Agreement, all permits, approvals and licences relating to the Lithium Operations which are capable of transfer are to be transferred to TLA. Any authorisations which are capable of transfer and are not transferred to TLA by completion under the Lithium Business Sale Agreement must be transferred to TLA as soon as possible thereafter, and TLA may operate under such authorisations until they are transferred. Certain authorisations, however, are not capable of transfer to TLA and in respect of such authorisations a new licence will be required. New applications in respect of those authorisations will need to be made by TLA to the relevant governmental authority and Talison Greenbushes must do all things reasonably necessary to assist TLA to obtain such authorisations.

Under the Lithium Business Sale Agreement, the contracts relating to the Greenbushes Lithium Operations are to be assigned or novated to TLA. Where a contract has not been assigned or novated by completion under the Pre-Offer Reorganisation, then the parties to the Lithium Business Sale Agreement must use their reasonable endeavours to ensure that the novation or assignment occurs as soon as possible thereafter. There is a risk that, for those contracts for which consent to assignment is required, the relevant counterparties may withhold their consent. The Pre-Offer Reorganisation will amount to a change in control of the relevant Talison Minerals Group members under certain contracts including, without limitation, certain supply agreements and customer sales and distribution agreements, which prohibit a change in control without the consent of the counterparty or give the counterparty a right to terminate the contract upon a change in control.

Under the Lithium Business Sale Agreement, TLA will own the assets relating to the Greenbushes Lithium Operations including certain infrastructure at the Greenbushes Lithium Operations including the buildings, utilities (gas, water supply

and power), waste dumps and tailings dams. The Shared Services Agreement, provides mechanisms for Talison Greenbushes to access and share such infrastructure and utilities. Although the tantalum mining operation is currently on care and maintenance due to prevailing market conditions for tantalum, in the event a tantalum or mineral other than lithium mining (or exploration) operation becomes economically viable and restarts, then there is a risk that:

- (a) Talison Lithium's access to utilities (gas, water or power) and infrastructure required to conduct its mining, processing and exploration activities may be restricted;
- (b) there will be insufficient utilities (gas, water or power) or capacity in infrastructure to sustain both lithium concentrate and tantalum mining operations and the Talison Lithium's production of lithium concentrate may be affected;
- (c) the terms on which the parties have agreed to conduct concurrent mining operations and/or any amendments to the existing mine plan to allow concurrent mining operations may be less favourable to Talison Lithium than if no concurrent mining operations were undertaken or no amendments to the existing mine plan were made; and
- (d) the appointment of a new third party mining contractor to conduct the new mining operations may impact upon Talison Lithium's ability to undertake mining operations under its existing mine plan.

Under the Reserved Mineral Rights Agreement, Talison Greenbushes will retain the exclusive right to conduct exploration for all minerals other than lithium on the Tenements and conduct mining operations in respect of all minerals other than lithium on the Tenements, as described in Section 12.7.1.

Talison Greenbushes and TLA may elect to enter into the Ore Tolling Agreement when and if Talison Greenbushes elects to terminate the Crusher Licence Agreement and recommence use of the crusher. From the effective date of the Ore Tolling Agreement, the Crusher Licence Agreement will no longer be in force and the Ore Tolling Agreement will operate as a stand alone agreement between Talison Greenbushes and TLA. Either party may terminate the Ore Tolling Agreement on 12 months' notice. There is a risk that, if Talison Greenbushes terminates the Ore Tolling Agreement by the giving of 12 months' notice, TLA may not be able to obtain a replacement crusher or access to a crusher within the 12 month notice period and the Greenbushes Lithium Operations may be disrupted. The price of obtaining a replacement crusher or access to another crusher may also be high.

While the Company has considered the taxation implications of the Pre-Offer Reorganisation, it is possible that there may be some unintended taxation consequences. The Pre-Offer reorganisation as set out at section 5.9 relating to the acquisition of shares in Talison Minerals by Talison Lithium may have stamp duty implications. Talison Minerals has considered the stamp duty implications and has lodged an application with the Office of State Revenue in Western Australia to confirm that an exemption will apply to reduce any stamp duty to nil. Talison Minerals anticipates that it will receive confirmation from the OSR prior to close of the Offer.

Certain indemnities under the terms of Talison Minerals' existing credit facility will survive termination on repayment of the facility on closing of the Offer. Those indemnities include costs and losses of the lenders in connection with events of default, potential events of default, failure to make drawing or prepayment after notice or with respect to taxes. The Company is not aware of any liabilities under these indemnities and does not expect any liability following repayment. Without making any warranty in relation to tax, the lenders have otherwise confirmed that they do not have actual knowledge of any claims under these indemnities. There is a risk that there may be liabilities under these indemnities of which the Company is not aware.

Insurance and Uninsured Risks

Talison Lithium's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods earthquakes and bush fires. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Talison Lithium's properties or the properties of others, delays in development or mining, monetary losses (and associated economic loss) and possible legal liability. Although Talison Lithium will maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations.

Talison Lithium may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability or may contain clauses which exclude liability in certain instances. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Talison Lithium or to other companies in the mining industry on acceptable terms. Talison Lithium might also become subject to liability for pollution or other hazards which may not be insured against or which Talison Lithium may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Talison Lithium to incur significant costs that could have a material adverse effect upon its financial performance and results of operations. To the extent that Talison Lithium incurs losses not covered by its insurance policies, the funds available for sustaining the current operations and for the development of future operations and exploration will be reduced.

Impairment of Asset Carrying Values

Talison Lithium will annually undertake impairment testing of its portfolio of assets. The recoverability of Talison Lithium's carrying values of its properties is assessed by comparing carrying values to estimated future net cash flows from each property. Factors which may affect carrying values include, but are not limited to, lithium concentrate prices, capital cost estimates, mining, processing and other operating costs,

grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed lithium concentrate prices, Talison Lithium may be required to take material write-downs of its assets.

General Economic Condition, Business Environment and Other Risks

Current economic conditions or a further deterioration in the global economy may negatively impact demand, revenue, operating costs, results of financing efforts, timing and extent of capital expenditures or credit risk and counterparty risk. Volatility in lithium prices and fluctuations in interest rates and exchange rates, product supply and demand, market competition, risks associated with technology, risks of widespread influence or other pandemic, Talison Lithium's ability to generate sufficient cash flow from operations to meet its current and future obligations, Talison Lithium's ability to access external sources of debt and equity capital, general economic and business conditions, Talison Lithium's ability to make capital investments and the amounts of capital investments, risks associated with potential future regulations, assessments and audits (including income tax) against Talison Lithium, difficulty in obtaining necessary regulatory approvals, a significant decline in Talison Lithium's reputation and such other risks and uncertainties described from time to time in Talison Lithium's reports and filing with the Canadian securities regulatory authorities could materially adversely impact Talison Lithium's business, prospectus, financial condition, results of operation or cash flows.

In addition, current global economic conditions and uncertainties, the potential impact of the current recession, the potential for additional failures or realignments of financial institutions, and the related impact on available credit may have a material adverse effect on Talison Lithium's business, financial condition, liquidity and results of operations. There can be no assurance that any risk management steps taken by Talison Lithium with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Financing Requirements

Talison Lithium may require additional financing in the future and, if required, there can be no assurance that such financing will be available to Talison Lithium or, if it is, that it will be offered on acceptable terms. Any issuance of additional equity or convertible debt securities of Talison Lithium will dilute the interests of shareholders of Talison Lithium. Any debt financing, if available, may involve financial covenants which limit Talison Lithium's operations. Any failure by Talison Lithium to obtain the required financing on acceptable terms could have a material adverse effect on Talison Lithium's financial condition, results of operations and liquidity and require Talison Lithium to cancel or postpone planned capital investments or reduce the scope of any expansion.

Control Risk

Upon completion of the Offer, the Founding Shareholders will own an aggregate of 48.7 million Shares representing

7. Risk Factors

57.4% of the issued Shares as at the close of the Offer (56.0% if the Over-Allotment Option is exercised in full). If the Selling Shareholder sells 3.5 million Existing Shares under the Offer, the Founding Shareholders will own an aggregate of 45.2 million Shares representing 53.2% of the issued Shares as at the close of the Offer (52.0% if the Over-Allotment Option is exercised in full).

As a result, the Founding Shareholders will continue to control the outcome of certain matters requiring shareholder approval and will have the power to:

- (a) elect directors to the Board;
- (b) amend the Constitution of Talison Lithium;
- (c) agree to or prevent mergers, consolidations or the sale of all or substantially all of Talison Lithium's assets; and
- (d) guarantee, indemnify or grant a security interest for debts or obligations of third parties.

The significant ownership interest of the Founding Shareholders upon completion of the Offer could adversely affect investors' perception of Talison Lithium's corporate governance.

Dividend Policy

No dividends on the Shares have been paid to date. Talison Lithium anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Directors after taking into account many factors, including Talison Lithium's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

Director and Officer Conflicts of Interest

Certain of the directors and officers of Talison Lithium also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict with the best interests of Talison Lithium and its shareholders. Directors and officers of Talison Lithium with conflicts of interests will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies and in Talison Lithium's mandates, charters and policies.

7.3 Risks Related to the Offer

Discretion in the Use of the Net Proceeds of the Offer

Of the net proceeds to be received by the Company pursuant to the Offer, A\$49.3 million will be allocated for use for general corporate and working capital purposes (A\$57 million in the event that the Over-Allotment is exercised in full).¹ Management of Talison Lithium will have broad discretion in the application of the use of these proceeds. Accordingly, investors will have to rely upon the judgement of management of Talison Lithium with respect to the use of these proceeds,

1. Assumes the Final Price is set at A\$4.10. If the Final Price is set above A\$4.10, additional proceeds will be applied to general corporate and working capital purposes.

with only limited information concerning management's specific intentions. Management may spend a portion or all of these proceeds in ways that Talison Lithium shareholders may not desire or that may not yield a favourable return. The failure by management to apply these funds effectively could harm Talison Lithium's business. Pending the use of such proceeds, Talison Lithium may invest these funds in a manner that does not produce income or that loses value.

No Prior Public Market for the Shares

Prior to the Offer, no public market exists for the Shares. An active and liquid market for the Shares may not develop following the completion of the Offer, or, if developed, may not be maintained. If an active public market does not develop or is not maintained, the trading price of the Shares may decline below the Final Price and investors may have difficulty reselling their Shares following the completion of the Offer. The Final Price will be determined by negotiations between Talison Lithium, the Selling Shareholder, the Canadian Lead Manager and the Australian Lead Manager. Talison Lithium and the Selling Shareholder cannot assure investors that the market price of Shares will not materially decline below the Final Price.

Volatile Market Price for Shares

The market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Talison Lithium's control, including the following: actual or anticipated fluctuations in Talison Lithium's quarterly results of operations; recommendations by securities research analysts; changes in the economic performance or market valuations of other mining companies; addition or departure of Talison Lithium's executive officers and other key personnel; release or expiration of transfer restrictions on Shares; sales or perceived sales of additional Shares; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Talison Lithium or its competitors; operating and share price performance of other companies that investors deem comparable to Talison Lithium; and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Talison Lithium's industry or target markets. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if Talison Lithium's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Talison Lithium's operations could be adversely impacted and the trading price of the Shares may be adversely affected.

Future Sales of Shares by Founding Shareholders

Sales of a large number of Shares in the public markets, or the potential for such sales, could decrease the trading price of the Shares and could impair Talison Lithium's ability to raise capital through future sales of Shares. Accordingly, a significant number of shareholders of Talison Lithium have an investment profit in the Shares that they may seek to liquidate.

Issuance of Additional Securities

Subject to the ASX Listing Rule 7.1, which generally requires shareholder approval where a company proposes to issue equity securities (being shares or securities convertible into shares) representing more than 15% of its issued share capital in any 12-month period, the Directors may issue preference shares, issuable in one or more series, and Shares, without any vote or action by Talison Lithium's shareholders. If Talison Lithium were to issue any preference shares or any additional Shares, the percentage ownership of existing shareholders may be reduced and diluted. In addition, the Directors may determine the price, rights, preferences, privileges and restrictions, including voting, dividend and conversion rights, of each series of Talison Lithium's preference shares and determine to whom they shall be issued. Immediately after the completion of the Offer, there will be no preference shares on issue and Talison Lithium has no present plans to issue any preference shares. However, the rights of the holders of any series of preference shares that may be issued in the future may be senior to the rights of holders of the Shares, which could preclude holders of the Shares from receiving dividends, proceeds of a liquidation or other benefits. The issuance of preference shares, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire control of Talison Lithium (for example, by discouraging an unsolicited acquisition proposal or a proxy contest, the effect of which may be to deprive the Talison Lithium's shareholders of a control premium that might otherwise be realised in connection with an acquisition of the Talison Lithium).



Financial Information

08

8.1 Introduction

Following the Pre-Offer Reorganisation (described in Section 5.9), Talison Lithium will own the Greenbushes Lithium Operations. This Section sets out the Pro Forma Historical Financial Information of the Company and Directors' Forecasts for the Company (together the Financial Information).

The Financial Information has been prepared by Talison Lithium management and adopted by the Directors. The Directors are responsible for the inclusion of all Financial Information in this Prospectus.

KPMG Transaction Services has prepared an Investigating Accountant's report in respect of the Pro forma Historical Financial Information and Directors' Forecasts. A copy of this report is set out in Section 9.

The Financial Information in this Section should be read in conjunction with the Directors' best estimate assumptions underlying the preparation of their forecasts, the sensitivity analysis, the summary of significant accounting policies, the risk factors set out in Section 7 and other information contained within this Prospectus.

The Pro Forma Historical Financial Information comprises the:

- summary pro forma historical income statements and statements of cash flow of the Company for the period from 27 August 2007 to 30 June 2008 and for FY2009; and
- summary pro forma consolidated balance sheet of the Company as at 30 September 2009.

The Directors' Forecasts comprise the Directors' Statutory Forecast and the Directors' Pro Forma Forecast as follows:

- summary pro forma forecast income statement and statement of cash flows of Talison Lithium for the year ending 30 June 2010 (**Directors' Pro Forma Forecast**); and
- summary statutory forecast income statement and statement of cash flows of Talison Lithium for the period from date of incorporation to 30 June 2010 (**Directors' Statutory Forecast**).

A reconciliation between the Directors' Statutory Forecast and the Directors' Pro Forma Forecast is provided in Sections 8.3.1 and 8.4.1 in relation to the income statement and statement of cash flows respectively.

Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information;
- the Directors' best estimate assumptions underlying the Directors' Forecasts;
- analysis of the sensitivity of the Directors' Forecasts NPAT for FY2010 to changes in a number of key assumptions;
- a summary of the dividend policy; and
- critical accounting policies relevant to the Financial Information.

8.1.1. Basis of preparation and presentation of Pro Forma Historical Financial Information

As set out in Sections 5.9 and 12.1, Talison Lithium was incorporated on 22 October 2009, will acquire the Greenbushes Lithium Operations on 18 December 2009 and will be recapitalised as a result of the Offer. Consequently Talison Lithium did not exist for any historical periods. In order to provide meaningful historical financial information the Directors have therefore prepared Pro Forma Historical Financial Information to demonstrate the historical financial performance and historical cash flows of Talison Lithium as if it had owned the Greenbushes Lithium Operations since 27 August 2007, the date upon which the underlying lithium assets were acquired by Talison Minerals.

The Pro Forma Historical Financial Information has been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**). The pro forma Historical Financial Information also complies with International Financial Reporting Standards (**IFRS**) and interpretations adopted by the International Accounting Standards Board. The critical accounting policies relevant to the Pro Forma Historical Financial Information are set out in Section 8.10.

The Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with AASBs and the Corporations Act.

8.1.2 Sources for the Pro Forma Historical Financial Information

The pro forma historical income statements and cash flow statements have been derived by extracting the historical financial information pertaining to the Greenbushes Lithium Operations from the audited financial statements of Talison Minerals for the period from 27 August 2007 to 30 June 2008 and for FY2009.

The pro forma historical balance sheet has been derived by extracting the historical financial information pertaining to the Greenbushes Lithium Operations from the unaudited management accounts of Talison Minerals as at 30 September 2009.

In preparing the Pro Forma Historical Financial Information of the Greenbushes Lithium Operations the Directors of Talison Minerals have applied the following principles in order to reflect the historical performance and carrying values of assets acquired:

- On 27 August 2007 Talison Minerals acquired the Advanced Minerals Business (**AMB**) from Sons of Gwalia Limited (Subject to Deed of Company Arrangement). The AMB comprises 2 parts; the Greenbushes Lithium Operations which are the subject of the Pro Forma Historical Financial Information; and the tantalum operations. Talison Minerals issued ordinary and preference shares and obtained senior debt financing in order to fund the AMB acquisition. The entire amount

8. Financial Information

of ordinary and preference shares issued and senior debt obtained has been recognised in the balance sheet of the Greenbushes Lithium Operations.

- Treasury activities, particularly the cash at bank, are maintained by Talison Minerals and form part of the Greenbushes Lithium Operations for the purposes of the Pro Forma Historical Financial Information. Cash at bank has been recorded in its entirety in the Pro Forma Historical Financial Information.
- Directors' fees, auditor's remuneration and other corporate costs that have been incurred by Talison Minerals that relate to the Greenbushes Lithium Operations have been recognised in the Pro Forma Historical Financial Information for the respective periods. Where such costs were attributable to both the Greenbushes Lithium Operations and the tantalum operations, a share of the costs have been allocated to the Greenbushes Lithium Operations based on its proportionate share of total revenue, payroll costs, and property, plant and equipment, with an equal weighting given to each of the three categories. The Directors of Talison Minerals consider this to be a reasonable basis for allocating such costs.
- The entities which comprise the Greenbushes Lithium Operations are part of the Talison Minerals tax consolidated group. Accordingly, any obligation to the taxing authority is that of the head of the tax consolidated group, being Talison Minerals. In addition, to the extent that tax losses exist within the tax consolidated group, they are eligible to be transferred within the group in order to offset against any taxable obligations to the relevant taxing authority. To the extent that tax losses have been generated by the tantalum operations, these have been recognised in the balance sheet of the Greenbushes Lithium Operations as a deferred tax asset, on the basis that the Greenbushes Lithium Operations may have the ability to recoup these tax losses against its future taxable income. However, as part of the Pre-offer Reorganisation, the Greenbushes Lithium Operations will derecognise this deferred tax asset as it is no longer considered probable that the conditions for deductibility imposed by tax legislation will continue to be satisfied.
- Share capital reflects the share capital of Talison Minerals in its entirety. Reserves comprises the entire share-based payment reserve of Talison Minerals. Accumulated losses incorporate the losses of the Greenbushes Lithium Operations and the tantalum operations.

In addition, the following adjustments have been recognised in determining the unaudited Greenbushes Lithium Operations' balance sheet. These entries reflect restructuring and reorganisation events required to take place prior to the Offer and having had legal effect prior to Talison Lithium's acquisition of the Greenbushes Lithium Operations:

- A\$7.25 million in proceeds are expected to be received on exercise of the senior lender options over ordinary shares in Talison Minerals.
- As a result of the Offer, the employee options become fully exercisable. The grant date fair value of these vesting options totalling A\$1.12 million is recognised as an

expense in accumulated losses with a corresponding entry in reserves. A\$3.74 million in proceeds are expected to be received on exercise of the employee options over ordinary shares in Talison Minerals.

- A\$0.26 million in professional fees are expected to be incurred and expensed in completing a corporate restructure of Talison Minerals and its wholly-owned subsidiaries in preparation for the Offer. A deferred tax asset of A\$0.08 million will be recognised in relation to the fees and the after tax cost of the fees of A\$0.18 million will be recognised as an expense in accumulated losses.
- Preference shares of Talison Minerals with a carrying value of A\$48.43 million at 30 September 2009 are expected to convert to ordinary shares in Talison Minerals.
- A deferred tax asset is expected to be derecognised (A\$24.57 million at 30 September 2009), as it is not considered probable that, upon completion of the Offer, the probable test of recoupment of the carry forward tax losses of the Talison Minerals tax consolidated group (A\$81.88 million at 30 September 2009), will continue to be satisfied.
- A cash distribution equal to the amount of the pre-IPO cash is expected to be made to Talison Tantalum. The distribution is recognised as a return of capital. The amount to be paid to Talison Tantalum based on balances at 30 September 2009 would have been A\$11.89 million and is calculated as follows:

	A\$ million
Greenbushes Lithium Operations cash and cash equivalents	1.16
Proceeds from the pre-Offer exercise of senior lender options	7.25
Proceeds from the pre-Offer exercise of employee options	3.74
Payment of professional fees relating to the Pre-Offer Reorganisation	(0.26)
Payment to Talison Tantalum	11.89

- Talison Minerals will make an in specie distribution of the tantalum operations to its shareholders. The value of the distribution at 30 September 2009 is A\$99.83 million based on book values.
- As at 30 September 2009, the Greenbushes Lithium Operations show a net liability position of A\$22.57 million which is principally caused by having allocated the entire debt of Talison Minerals including senior debt and preference shares (and associated interest expense) to the Greenbushes Lithium Operations. A significant component of this debt was used originally to fund the acquisition of the tantalum operations. The 100% allocation to Greenbushes Lithium Operations is considered appropriate given the entire debt will be repaid and extinguished from the proceeds of the Offering.

Further pro forma adjustments to the balance sheet have been made to show the impact of certain events, which are to take place at the time of the Offer, as if they had occurred at 30 September 2009. Further details of these adjustments are set out in Section 8.9.1.

8.2 Directors' Forecasts

8.2.1 Introduction

As set out in Section 12.1, Talison Lithium was incorporated on 22 October 2009, will acquire the Greenbushes Lithium Operations on 18 December 2009 and will be recapitalised as a result of the Offer. Consequently the Directors' Statutory Forecast for FY2010 will include only six and a half months results of the Greenbushes Lithium Operations and will include a number of expenses relating to its pre-Offer capital structure, incurred as a result of the Offer, or which are not expected to recur in the future.

Therefore the Directors have also prepared the Directors' Pro Forma Forecast to illustrate to potential investors what the forecast for Talison Lithium would be if it had been incorporated on 1 July 2009, after incorporating the forecast results of Greenbushes Lithium Operations for the twelve months ending 30 June 2010, and adding back those expenses referred to above.

The Directors' Forecasts are subject to, and should be read in conjunction with the basis of preparation and presentation of Directors' Forecasts section set out below, the Directors' general best estimate assumptions set out in Section 8.6.2, the Directors' specific best estimate assumptions in Section 8.6.3, the sensitivity analysis in Section 8.7, the risk factors set out in Section 7 and other information contained in this Prospectus.

8.2.2 Basis of preparation and presentation of Directors' Forecasts

The Directors' Forecasts have been prepared by the Directors with due care and attention, on the basis of the Directors' general and specific best estimate assumptions as set out in Section 8.6. The Directors consider these best estimate assumptions to be reasonable when viewed as a whole.

The Directors' best estimate assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Directors and the Company, and are not reliably predictable. The industry in which the Company operates is subject to many external influences, which can materially impact the Company's financial performance.

Events and circumstances often do not occur as anticipated and therefore, actual results are likely to differ from the Directors' Forecasts. These differences may be material. As shown in the sensitivity analysis in Section 8.7, relatively small changes in key variables can have a significant impact on the financial performance of the Company and its cash flows.

Accordingly, none of the Directors, the Company or any other person guarantees or provides any assurance as to the accuracy or achievement of the Directors' Forecasts or the Directors' best estimate assumptions upon which they are based. The Directors' Forecasts should not be regarded as a representation or warranty that the Company will achieve, or is likely to achieve, any particular results. Actual results and outcomes may differ in quantum and timing from those assumed, with a material consequential positive or negative impact on the Company's actual earnings or cash flows.

The information regarding Directors' best estimate assumptions is intended to assist potential investors in assessing the reasonableness and likelihood of the Directors' Forecasts being achieved, and is not intended to be a representation that those events that have been assumed will occur. Potential investors should thus be aware of the risks of placing undue reliance on the information in this Section of the Prospectus.

The Directors' Forecasts are unaudited, but have been reviewed and reported on by KPMG Transaction Services as the Investigating Accountant (see Section 9).

8.2.3 Sources for the Directors' Forecasts

The Directors' Forecasts comprise the Directors' Statutory Forecast and the Directors' Pro Forma Forecast as follows:

- summary statutory forecast income statement and statement of cash flows of Talison Lithium for the period from date of incorporation to 30 June 2010 (**Directors' Statutory Forecast**)
- summary pro forma forecast income statement and statement of cash flows of Talison Lithium for the year ending 30 June 2010 (**Directors' Pro Forma Forecast**)

The Directors' Statutory Forecast for the period ending 30 June 2010 has been compiled from forecasts for the Company for the period from its incorporation to 30 June 2010 and incorporate the forecast financial performance of the Greenbushes Lithium Operations for the six and a half months ending 30 June 2010, prepared by the Directors.

The Directors' Pro Forma Forecast for the year ending 30 June 2010 includes the following pro forma adjustments to the Directors' Statutory Forecast:

- the inclusion of the unaudited actual results for the Greenbushes Lithium Operations for the three months ended 30 September 2009;
- the inclusion of forecasts for the Greenbushes Lithium Operations for the two and a half months ending 17 December 2009; and
- the add back of senior debt interest and revaluation gains, preference share interest, deferred tax asset impairment and one-off items associated with the Offer.

Reconciliations between the Directors' Statutory Forecast and the Directors' Pro Forma Forecast income statements and cash flow statements are contained within the relevant tables in Sections 8.3.1 and 8.4.1.

8. Financial Information

The accounting policies used in the preparation of the Directors' Forecasts are consistent with those used in the preparation of the Pro Forma Historical Financial Information set out in this Prospectus.

The Directors' Forecasts are presented in an abbreviated form insofar as they do not include all of the disclosures and notes required by AASBs applicable to annual financial reports and notes prepared in accordance with the Corporations Act.

8.3 Summary Pro Forma Historical Financial Information and Directors' Pro Forma Forecast income statements

Set out below are the summary pro forma historical income statements for the Company for the period from 27 August 2007 to 30 June 2008 and for FY2009 and the summary pro forma forecast income statement for the Company for the year ending 30 June 2010.

Summary income statements	Pro forma historical		Directors' Pro Forma Forecast
	27 August 2007 to 30 June 2008	FY2009	FY2010
A\$ million			
Revenue	57.26	76.94	71.87
Operating costs	(50.33)	(54.36)	(48.59)
Other expenses	(1.80)	(4.46)	(6.16)
EBITDA	5.13	18.12	17.12²
Depreciation & Amortisation	(1.74)	(2.18)	(3.23)
EBIT	3.39	15.94	13.89
Net finance income			0.42
Tax expense ¹			(4.63)
NPAT			9.68

Notes:

1. The Company expects to pay tax on FY2010 taxable income in FY2011.
2. Assumes a Final Price of A\$4.10. Assuming a Final Price of A\$5.10, the Directors' Pro Forma Forecast EBITDA for FY2010 would be A\$16.88 million. The difference in EBITDA relates to the non-cash long-term employee incentive scheme expense.

The pro forma historical income statements are presented to EBIT because changes to the financing structure through the conversion of preference shares to ordinary shares and repayment of senior debt that will occur on completion of the Offer mean that historical net interest expense and income tax expenses are not considered to be meaningful or appropriate.

8.3.1 Reconciliation of the Directors' Pro Forma Forecast to the Directors' Statutory Forecast income statement for FY2010

Reconciliation of forecast summary income statements	Pro forma adjustments			Directors' Pro Forma Forecast
	Directors' Statutory Forecast ¹	Pre-Offer forecast ²	Non-recurring items ³	
A\$ million				
Revenue	45.30	26.57	–	71.87
Operating costs	(31.07)	(17.52)	–	(48.59)
Other expenses	(6.06)	(3.11)	3.01	(6.16)
EBITDA	8.17	5.94	3.01	17.12
Depreciation & Amortisation	(1.70)	(1.53)	–	(3.23)
EBIT	6.47	4.41	3.01	13.89
Net finance income (expense)	(2.74)	2.54	0.62	0.42
Tax expense	(1.41)	(28.55)	25.33	(4.63)
NPAT	2.32	(21.60)	28.96	9.68

Note:

1. Represents the forecast consolidated income statement of the Company on the basis that the Greenbushes Lithium Operations is acquired on 18 December 2009.
2. Represents the forecast earnings of the Greenbushes Lithium Operations for the period from 1 July 2009 to 17 December 2009 and is comprised of actual earnings for the three months ended 30 September 2009 and forecast earnings for the period from 1 October 2009 to 17 December 2009.
3. Comprises the expense to be recognised on vesting of Talison Minerals' employee share options, interest on preference shares which will convert to ordinary equity, interest and foreign currency revaluation gains on senior debt which is to be retired from the Offer proceeds, the deferred tax asset impairment (A\$24.57 million) and one-off underwriting and listing costs which are not included in the Directors' Pro Forma Forecast on the basis that they are non-recurring.

8.4 Summary Pro forma Historical and Directors' Pro Forma Forecast cash flow statements

Set out below are the summary pro forma historical cash flow statements for the Company for the period from 27 August 2007 to 30 June 2008 and for FY2009 and the summary pro forma forecast cash flow statement for the Company for the year ending 30 June 2010.

Summary cash flow statements A\$ million	Pro forma historical		Directors' Pro Forma Forecast
	27 August 2007 to 30 June 2008	FY2009	FY2010
EBITDA	5.13	18.12	17.12
Non-cash and working capital movements	6.03	5.33	1.67
Net receipt (payment) for settlement of derivatives	(0.73)	(3.91)	2.46
Interest received (paid)	(9.02)	(10.88)	0.92
Net cash inflow (outflow) from operating activities	1.41	8.66	22.17
Net cash inflow (outflow) from investing activities	(49.42)	(23.15)	(11.92)
Net cash inflow (outflow) from financing activities	56.64	13.04	(0.06)
Net cashflow	8.63	(1.45)	10.19¹

Note:

1. The Directors' Pro Forma Forecast net cash flow for FY 2010 of A\$10.19 million comprises net cash flow before interest and financing cash flows of A\$9.33 million and interest and financing cash flows of A\$0.86 million.

8.4.1 Reconciliation of the Directors' Pro Forma Forecast to the Directors' Statutory Forecast cash flow statement for FY2010

Reconciliation of forecast summary cash flow statements A\$ million	Pro forma adjustments			Directors' Pro Forma Forecast
	Directors' Statutory forecast ¹	Pre-Offer forecast ²	Non-recurring items ³	
EBITDA	8.17	5.94	3.01	17.12
Non-cash and working capital movements	4.02	(5.00)	2.65	1.67
Net receipt (payment) for settlement of derivatives	1.33	1.13	–	2.46
Interest (paid) received	0.99	(2.81)	2.74	0.92
Net cash inflow (outflow) from operating activities	14.51	(0.74)	8.40	22.17
Net cash inflow (outflow) from investing activities	(6.43)	(5.49)	–	(11.92)
Net cash inflow (outflow) from financing activities	49.51	0.74	(50.31)	(0.06)
Net cashflow	57.59	(5.49)	(41.91)	10.19

Note:

1. Represents the forecast consolidated cash flows on the basis that the Greenbushes Lithium Operations is acquired on 18 December 2009.
2. Represents the forecast cash flows of the Greenbushes Lithium Operations for the period from 1 July 2009 to 17 December 2009 and is comprised of actual cash flows for the three months ended 30 September 2009 and Management's forecast for the period from 1 October 2009 to 17 December 2009.
3. Comprises Offer proceeds and costs, senior debt interest and repayment, cash to be provided as security for rehabilitation bonds, proceeds from Talison Minerals' share issue completed in July 2009, the exercising of employee options and funding of the tantalum operations, all of which are not included in the Directors' Pro Forma Forecast on the basis that they are non-recurring.

8. Financial Information

8.5 Management discussion and analysis of historical financial performance

8.5.1 Overview

Highlights for the period from 27 August 2007 to 30 June 2008

- On 27 August 2007, Talison Minerals purchased the lithium and tantalum assets of Sons of Gwalia.
- Growing demand from Chinese chemical lithium producers was satisfied by utilising the Greenbushes Lithium Operations' primary tantalum plant, which had been on care and maintenance. A new chemical-grade product (5% Li₂O) was produced from the primary tantalum plant to supplement chemical-grade (6% Li₂O) from the lithium plant.
- The Board of Talison Minerals approved the construction of a new chemical-grade plant for the Greenbushes Lithium Operations, designed to meet Chinese demand for 6% Li₂O concentrate.
- The Board of Talison Minerals approved modifications to the technical-grade plant aimed at increasing flexibility in product range and improving plant efficiency at the Greenbushes Lithium Operations.
- An Engineering, Procurement, Construction Management contract was signed for the chemical-grade and technical-grade upgrade projects.
- A scoping study was initiated to evaluate the viability of establishing a lithium chemicals conversion plant for the production of lithium carbonate from 6% Li₂O concentrate.

Highlights for FY2009

- Construction and commissioning of the new chemical-grade plant and modifications to the technical-grade plant were completed on schedule.
- Evaluation of photometric sorting demonstrated that technical-grade and chemical-grade ores could be successfully separated ahead of processing.
- A major cut-back of the main C3 pit commenced in order to ensure continued access to technical-grade ore into the future.
- Despite the downturn in demand for technical-grade products, discussions with major glass and fibreglass manufacturers were initiated for the supply of additional product requirements into Europe and the Americas, respectively.
- A scoping study for establishing a lithium chemicals conversion plant was completed, including the estimation of capital and operating costs.
- Shipments of chemical-grade concentrates returned to pre-global financial crisis levels in the final quarter.

8.5.2 General factors affecting the operating results of the Greenbushes Lithium Operations

Below is a brief discussion of the main factors which affected the Greenbushes Lithium Operations operating and financial performance in the period 27 August 2007 to 30 June 2008 and FY2009. The general factors described below are a summary only and do not represent everything that affected historical operating and financial performance.

Market Trends and Fundamentals

The recent global financial crisis has impacted the Greenbushes Lithium Operations by reducing demand for technical-grade concentrates in Europe and North America, although this has been offset to some extent by reduced supply from Greenbushes Lithium Operations' competitors. After a period of reduced demand from Chinese chemical processors in the first quarter of FY2009, sales into this market have returned to normal pre-global financial crisis levels, albeit at lower prices.

There is no exchange traded market for lithium concentrates, with the market determined by negotiations between suppliers and customers.

Marketing of the Greenbushes Lithium Operations' technical-grade products is carried out using agents in each of the major geographical sales areas. The agents interface directly with customers and provide logistical support in the form of product delivery and warehousing to serve a broad customer base. Chemical-grade products are sold directly by the Greenbushes Lithium Operations to customers in China.

Because of the relatively opaque market, pricing trends for lithium concentrates are not widely published and statistics are generally based on export data. Roskill has published data for lithium carbonate exports from the major chemical producers. This data shows an escalation in prices from 2004 to 2008 which gives some indication of pricing trends for lithium concentrates, particularly for chemical-grade products. The increase in pricing has mainly resulted from increased demand for lithium batteries.

Price of Lithium Concentrate

The price of lithium concentrate is the largest single factor in determining profitability and cash flow from operations.

The average price (total revenue divided by total tonnes) of lithium concentrates realised by the Greenbushes Lithium Operations increased from US\$249 per tonne for the period ending 30 June 2008 to US\$275 per tonne in FY2009. Refer to Section 8.6.3 for the average realised sales price forecast used in the Directors' Pro Forma Forecast.

Foreign Currency Fluctuations

The Greenbushes Lithium Operations' revenues are denominated in US\$. However, the operations are carried out in Australia, with the majority of operating costs and capital expenditures denominated in Australian dollars. The A\$/US\$ exchange rate has fluctuated significantly with the A\$ increasing in value against the US\$ by 13% during the period ended 30 June 2008 before falling 16% in FY2009.

Inflationary Cost Pressures

The Greenbushes Lithium Operations' profitability has been impacted by development and operating costs with respect to labour, energy and consumables in general. Since mining is generally an energy intensive activity, especially in open pit mining, energy prices can have a significant impact on operations. The Greenbushes Lithium Operations experienced escalating fuel prices during the period ended 30 June 2008 of 16% with a fall of 10% in FY2009. In addition, labour costs have increased by 5% and 8%, respectively during the same years.

8.5.3 Comparison of the pro forma income statement between FY2009 and the period from 27 August 2007 to 30 June 2008

In comparing the results for FY2009 to the period between 27 August 2007 to 30 June 2008 (**FY2008**) allowance must be made for the fact that FY2008 only includes a 10 month period. Therefore the following analysis compares the FY2009 results to a notional annualised result for FY2008.

Sales revenue in FY2009 increased to A\$76.94 million from A\$68.71 million (annualised) in FY2008 partly as a result of a 10% increase in the average US\$ realised sales price to US\$275 per tonne and an 11% fall in the average US\$/A\$ exchange rate which had the effect of increasing revenues in A\$ terms. These positives were offset by a reduction in technical-grade sales volumes due to market weakness resulting from the global economic slowdown.

Operating costs were lower in FY2009 (A\$54.36 million) compared to FY2008 (A\$60.40 million annualised) which reflected the reduced sales volume with the unit costs of sales remaining relatively constant.

Other expenses increased in FY2009 as a result of a strong performance by the Greenbushes Lithium Operations which resulted in an increased allocation of the overall Talison Minerals short-term incentive plan expensed to the Greenbushes Lithium Operations. Also contributing to the increase in FY2009 were general and administration (**G&A**) costs relating to the Perth office. This was due to a combination of higher G&A costs for the Talison Minerals Group together with the suspension of Talison Minerals' tantalum operations in FY2009 which resulted in a decreased allocation of G&A costs to the tantalum operations.

The increase in sales revenue, partly offset by the increase in other expenses referred to above, resulted in an overall improvement in EBITDA from A\$6.16 million (annualised) in FY2008 to A\$18.12 million in FY2009.

8.5.4 Comparison of the pro forma statement of cash flows between FY2009 and the period from 27 August 2007 to 30 June 2008

In comparing the results for FY2009 to the period between 27 August 2007 to 30 June 2008 (**FY2008**) allowance must be made for the fact that 2008 only includes a 10 month period. Therefore the following analysis compares the 2009 results to a notional annualised result for FY2008.

The cash flow from operating activities increased from A\$1.69 million (annualised) in FY2008 to A\$8.66 million in FY2009 as a result of increased sales receipts caused mainly by an increase in the average US\$ realised sales price and a lower US\$/A\$ exchange rate. Partly offsetting the increase in sales receipts was additional upfront expenditure on currency hedging in FY2009 (A\$3.91 million) compared to FY2008 (A\$0.73 million). The FY2009 expenditure was incurred to restructure currency hedging to lower the average hedged exchange rate and extend the hedging to December 2010.

The cash outflow on investing activities in FY2008 included capital expenditure of A\$5.16 million and the original acquisition of the Greenbushes Lithium Operations. In FY2009, the cash flow on investing activities included the bulk of the cost of upgrading the lithium chemical and technical-grade plants to increase production capacity and the cost of capital waste removal in relation the C3 pit.

The cash inflow from financing activities in FY2008 included the original capitalization of Talison Minerals in the form of equity funding and senior secured debt. The funding was applied in the acquisition of the Greenbushes Lithium Operations. In FY2009 additional equity funding was obtained to finance the upgrades of the lithium chemical and technical-grade plants.

8.6 Directors' best estimate assumptions

8.6.1 Introduction

The Directors' Forecasts have been prepared on the basis of the Directors' best estimate assumptions set out below, which should be read in conjunction with the sensitivity analysis set out in Section 8.7 and the risk factors set out in Section 7.

The Directors' best estimate assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Talison Lithium and the Directors, and are not reliably predictable. The industries in which Talison Lithium operates are subject to many external influences, which can materially impact Talison Lithium's financial performance.

The information in Section 8.6 is intended to assist potential investors in assessing the reasonableness and likelihood of the Directors' Forecasts being achieved, and is not intended to be a representation that those events that have been assumed will occur.

Potential investors should be aware that actual events and outcomes may differ in quantum and timing from those assumed, with material consequential positive or negative impact on Talison Lithium's actual earnings and cash flows. Accordingly, potential investors should be aware of the risks of placing undue reliance on the information in Sections 8.6.2 and 8.6.3.

8. Financial Information

The Directors' best estimate assumptions described below relate to the Directors' Statutory Forecast and the Directors' Pro Forma Forecast. There is no present intention to publish updates in the future to the Directors' best estimate assumptions or to the Directors' Forecasts.

8.6.2 General best estimate assumptions

The following general assumptions were made in preparing the Directors' Forecasts:

- There is no material adverse change in the economic conditions in the markets that the Company operates;
- There is no material amendment to any material agreement relating to the Company's business;
- There is no material change to the regulatory or tax regimes which will have an impact on the Company's forecast financial results and cash flows;
- There is no significant disruption to the continuity of operations of the Company and there are no other material changes in the Company's business;
- There is no material litigation that will arise or be settled to the detriment of the Company;
- There is no change in applicable AASBs or IFRS that would have a material impact on the Company's accounting policies, financial reporting or disclosure;
- There are no contingent liabilities that will arise or be realised to the detriment of the Company;
- There are no material losses of customers or contracts;
- There is no loss of key management; and
- There are no material business acquisitions or disposals.

8.6.3 Specific best estimate assumptions

As set out in Section 8.2.3, the Directors' Pro Forma Forecast for the year ending 30 June 2010 consists of actual results for the three months ended 30 September 2009 and forecasts prepared by the Directors for the nine months ended 30 June 2010, and the Directors' Statutory Forecast consists of forecasts prepared by the Directors for the period from 22 October 2009 to 30 June 2010. The following specific assumptions have been used by the Directors to derive their summary pro forma and statutory income statement forecasts. All comments relating to year on year performance are for the Directors' Pro Forma Forecast.

Sales

Forecast sales revenue for FY2010 is expected to be A\$71.87 million, A\$5.07 million lower than FY2009. The reduction in revenue is primarily due to a forecast 16% increase in the average US\$/A\$ exchange rate, which has the effect of reducing revenues in A\$ terms. The movement in the US\$/A\$ exchange rate has been partly offset by a forecast 12% increase in sales volumes in FY2010 from 215,000 tonnes to 241,000 tonnes due to higher demand for the Company's chemical-grade lithium concentrates in China.

Forecast sales volumes are based on a combination of existing customer contracts, indications from customers as to their expected future requirements and Management's estimate of the likely future demand for lithium concentrates.

The average realised sales price for the Company's concentrates in FY2010 is forecast to be US\$265 per tonne which compares to US\$275 per tonne in FY2009.

Exchange rates and derivatives

Talison Lithium is exposed to exchange rate movements, and in particular, movements in the US\$/A\$ rate as all of Talison Lithium's sales are denominated in US\$. Forecast FY2010 sales revenue has been converted to A\$ using a forecast spot US\$/A\$ exchange rate of 0.90 for the nine months ended 30 June 2010. Talison Lithium enters into foreign exchange derivative contracts to reduce its foreign exchange exposure on its US\$ sales revenue. Talison Lithium has covered approximately 80% of forecast US\$ revenues for the nine months ended 30 June 2010 at a US\$/A\$ exchange rate of 0.85. This foreign exchange hedging practice is expected to be maintained over the forecast period.

Operating costs

Operating costs are forecast to be lower in FY2010 (A\$48.59 million) compared to FY2009 (A\$54.36 million). Operating costs comprise production costs (defined below) and selling costs. Production costs comprise mining costs net of capitalised waste, processing and minesite administration costs and inventory movements. One meaningful measure of the Greenbushes Lithium Operations' efficiency is the production cost per tonne of product sold. Production costs per tonne of product sold are forecast to be A\$138 in FY2010 (for total forecast production costs of A\$33.3 million), a 16% reduction on FY2009 due to an improvement in product yields (tonnes of product per tonne of ore processed) from 34% in FY2009 to 46% in FY2010 as a consequence of the processing plant upgrades completed in FY2009 and the cessation of producing chemical grade concentrates in the primary tantalum plant. A higher yield has the effect of reducing mined and processed tonnages per tonne of final product. Selling costs are forecast to be A\$63 per tonne of product sold in FY2010 (for total forecast selling costs of A\$15.3 million), 28% lower than FY2009, due to a reduction in bulk ocean freight rates as a consequence of the global financial crisis.

Mining and processing operating costs have been forecast on the basis of current agreements including contractual arrangements, as well as assumed increases based on experience and industry trends.

Contract mining and drilling is undertaken on fixed price terms, which are subject to periodic adjustment based on a rise and fall provision calculated with reference to underlying indices reflecting movements in the cost of labour and input materials.

Selling expenses have been forecast on the basis of current agreements including contractual arrangements. Government royalties payable on sales have been forecast at the current royalty rate of 5% of the value of lithium concentrate sales less shipping costs.

Other expenses

Other expenses are forecast to increase by A\$1.70 million to A\$6.16 million in FY2010 as additional costs associated with being a dual listed entity are incurred and the share of G&A costs allocated to the tantalum operations are reduced.

Other expenses include corporate overheads which consist of staff salaries and Directors' fees, rent and other administration costs associated with maintaining the Perth office. These costs are based on historical costs and include an increase for additional costs associated with being a public company listed on the ASX and TSX.

Also included in other expenses is the expense associated with the short-term and long-term employee incentive schemes.

EBITDA

Directors' Pro Forma Forecast EBITDA of A\$17.12 million in FY2010 is A\$1.00 million lower than FY2009 and reflects the combination of the sales revenue, operating costs and other expenses variances discussed above.

Net finance income

Net finance income includes interest income and expense, net foreign exchange gains and losses realised on delivery into the Company's foreign currency derivative contracts and net foreign exchange gains and losses on the marked to market valuation of the Company's foreign currency derivative contracts and the revaluation of US\$ denominated cash and debtor balances.

Depreciation and amortisation

Depreciation and amortisation is forecast to increase by A\$1.05 million in FY2010 as the results include a full year's depreciation of the processing plant upgrades.

In accordance with the Company's policy, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of non-mine specific property, plant and equipment. Mine specific plant, machinery and equipment (defined below) are depreciated over the lesser of the life of the economically recoverable reserves (using the units of production method) and twenty years. Mining property and development assets are amortised over the life of economically recoverable reserves. Mine specific property, plant, machinery and equipment refers to plant, machinery and equipment for which the economic useful life cannot extend beyond the life of its host mine.

Income tax

The forecast for income tax is based on a tax rate of 30%, equal to the Australian corporate tax rate. The actual effective tax rate is expected to be 33% for FY2010, primarily due to inability to claim a tax deduction for employee options expense.

Non-cash and working capital

The forecast non-cash and working capital movement comprises the movement in trade and other receivables, trade and other payables, inventories and employee entitlement provisions. The forecast for receivables is based on forecast sales revenue by customer, the current payment terms for each customer and the ability of the Company to discount letters of credit received for shipments via a non-recourse facility with Westpac. The forecast for inventories is based on forecast production and sales volumes. The forecast for trade payables is based on historical payment terms.

Capital expenditure

The Directors' Forecast net cash flow for investing activities for FY2010 comprises entirely of the following capital expenditures:

- Property, plant and equipment capital expenditure of A\$2.57 million; and
- Capitalised waste mining costs of A\$9.35 million, representing the cost of waste mined in excess of the life of mine average waste to ore ratio.

The total forecast cash outflow from investing activities for FY2010 of A\$11.92 million is A\$11.23 million lower than FY2009 as FY2009 included the cost of upgrading the lithium chemical and technical-grade plants to increase production capacity and a greater amount of capital waste removal in relation the C3 pit.

Funding

The Company will retire the majority of its interest-bearing liabilities out of proceeds from the Offering. The only interest-bearing liabilities that will remain are A\$0.58 million in lease liabilities.

8.7 Sensitivity analysis

The Directors' Forecasts are based on a number of economic and business assumptions about future events, as set out in Sections 8.6.2 and 8.6.3. It is therefore considered to be sensitive to different assumptions being made. In addition, the Directors' Forecasts assume the implementation of certain future business decisions and strategies which are subject to change, and assume the success of those business decisions and strategies, which are subject to uncertainties and contingencies beyond the Company's control.

It is possible that more than one variable may move concurrently, giving rise to cumulative or offsetting effects, and so care should be taken in interpreting this information.

Typically, the Company would respond to any material adverse change in conditions by taking appropriate mitigating action to minimise, to the extent possible, any adverse effect on net profit after tax. The effect of any such mitigating action has been excluded from the following analysis. Potential investors should consider this analysis in conjunction with the risk factors set out in Section 7.

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Set out below is a summary of the sensitivity of the Directors' Pro Forma Forecast EBITDA and net profit after tax to changes in a number of key assumptions. Investors should note that the change in the assumptions set out below is not meant to be indicative of the full range of variations that may occur. For the purposes of the analysis, the effect of the changes in key assumptions on the FY2010 EBITDA and FY2010 NPAT of A\$17.12 million and A\$9.68 million respectively is presented.

	Sensitivity units	FY2010 EBITDA A\$ million	FY2010 NPAT A\$ million
US\$/A\$ average exchange rate ¹	+/- US\$0.05	-/+0.87	-/+ 0.61
Average US\$ sales price ²	+/- 5%	+/-3.38	+/- 2.36
Total sales volume ³	+/- 5%	+/-1.01	+/- 0.71
Minesite operating costs ⁴	+/- 5%	-/+1.81	-/+ 1.27
Bulk ocean freight rate ⁵	+/- US\$10 per tonne	-/+2.13	-/+ 1.49
Ore grade ⁶	+/- 5%	+/-2.65	+/- 1.85
Plant recovery ⁷	+/- 5%	+/-2.65	+/- 1.85

Note

1. Assumed impact of a US\$0.05 change in the average US\$/A\$ exchange rate, the sensitivity takes into account the economic hedge provided by Talison Lithium's foreign exchange derivatives and US\$ costs but does not include the impact of any unrealised gains or losses on the change in fair value of foreign exchange derivatives contracts which are expected to be outstanding at the end of FY2010.
2. The sensitivity is based on a 5% change in the weighted average price of all products.
3. The sensitivity is based on a 5% change in the total sales volume weighted across all forecast sales volumes. To put this sensitivity in to context, a delay in bulk shipments forecast for June 2010 to July 2010 would reduce FY2010 sales volumes by 7%.
4. The sensitivity is based on a 5% change in all mine operating expenses and overheads for the Greenbushes minesite.
5. The sensitivity is based on a US\$10 per tonne change in the ocean freight rate for forecast bulk shipments shipped on CIP terms.
6. The sensitivity is based on a 5% change in the grade of ore processed.
7. The sensitivity is based on a 5% relative change in plant recovery.

8.8 Dividend policy

Talison Lithium anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including the Company's earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

8.9 Pro forma consolidated balance sheet

The unaudited consolidated pro forma balance sheet is compiled as follows:

- The balance sheet of Talison Lithium as at the date of its incorporation of 22 October 2009;
- The balance sheet of the Greenbushes Lithium Operations as at 30 September 2009 adjusted for legal and restructure adjustments required to take effect prior to the Offer as if they had occurred at that date; and
- Offer related adjustments (**Offer Adjustments**).

The consolidated pro forma balance sheet is prepared on the basis that the Pre-Offer Reorganisation and the Offer took place on 30 September 2009.

A\$ million	Pro forma adjustments			Consolidated pro forma
	Talison Lithium 22 Oct 09	Greenbushes Lithium Operations 30 Sep 09	Offer Adjustments 30 Sep 09	
ASSETS				
Current assets				
Cash and cash equivalents	–	–	40.55	40.55
Trade and other receivables	–	8.46	–	8.46
Inventories	–	10.02	–	10.02
Other assets	–	3.85	–	3.85
Total current assets	–	22.33	40.55	62.88
Non-current assets				
Trade and other receivables	–	–	3.86	3.86
Property, plant and equipment	–	64.53	–	64.53
Total non-current assets	–	64.53	3.86	68.39
Total assets	–	86.86	44.41	131.27
LIABILITIES				
Current liabilities				
Trade and other payables	–	8.46	(1.04)	7.42
Current tax liabilities	–	–	1.43	1.43
Interest-bearing liabilities	–	0.14	–	0.14
Provisions	–	2.25	–	2.25
Total current liabilities	–	10.85	0.39	11.24
Non-current liabilities				
Interest-bearing liabilities	–	84.07	(83.63)	0.44
Provisions	–	8.62	–	8.62
Deferred tax liabilities	–	5.89	(5.76)	0.13
Total non-current liabilities	–	98.58	(89.39)	9.19
Total liabilities	–	109.43	(89.00)	20.43
Net assets	–	(22.57)	133.41	110.84
EQUITY				
Shareholders' equity	–	70.24	136.08	206.32
Reserves	–	2.11	–	2.11
Accumulated losses	–	(94.92)	(2.67)	(97.59)
Total equity	–	(22.57)	133.41	110.84

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8.9.1 Description of pro forma balance sheet adjustments

Business acquisition

Pursuant to the executed agreement dated 13 November 2009 (the Call Option Deed) between Talison Lithium and the Founding Shareholders of Talison Minerals, Talison Lithium is granted an option to acquire all of the shares held by the Founding Shareholders in the capital of Talison Minerals in exchange for 48.7 million ordinary shares of Talison Lithium.

Employees and Directors that have been granted options under Talison Minerals' share option programme (Employee Shareholders) each entered into an individual Employee Option Exercise and Share Option Deed dated on or about 13 November 2009. Pursuant to the Employee Option Exercise and Share Option Deed all Employee Shareholders have agreed to exercise all of their options to purchase ordinary shares of Talison Minerals and then grant Talison Lithium an option to exchange those shares for a total of 1.3 million Ordinary Shares in Talison Lithium.

The pro forma balance sheet is prepared on the basis that Talison Lithium will exercise the Call Option Deed and its option to exchange the Employee Shareholders' Talison Minerals ordinary shares for Ordinary Shares in Talison Lithium. These transactions are considered common control transactions and are not within the scope of AASB 3 Business Combinations. Pursuant to the accounting rules for common control transactions, the directors have elected to adopt the book values of the assets and liabilities of the Greenbushes Lithium Operations as recognised in the financial statements of Talison Minerals.

Offer adjustments

The following adjustments and assumptions have been recognised in determining the unaudited consolidated pro forma balance sheet. These entries reflect the proceeds from the Offer and the repayment of certain debts and costs associated with those proceeds.

Movement in cash in the pro forma balance sheet

The movement in cash as reflected in the pro forma balance sheet at 30 September 2009 has been determined as follows:

A\$ million	Note	Pro forma Adjustments			Consolidated pro forma
		Talison Lithium 22 Oct 09	Greenbushes Lithium Operations 30 Sep 09	Offer adjustments 30 Sep 09	
Historical balance – 30 September 2009		-	-	-	-
Proceeds from the Offer	(i)	-	-	143.50	143.50
Payment of costs relating to the Offer	(ii)	-	-	(12.15)	(12.15)
Repayment of senior secured debt	(iii)	-	-	(85.90)	(85.90)
Payment of the loan from Talison Tantalum for pre-Offer net working capital	(iv)	-	-	(1.04)	(1.04)
Cash provided as security for environmental bonds	(v)	-	-	(3.86)	(3.86)
Pro forma balance – 30 September 2009		-	-	40.55	40.55

- (i) Talison Lithium will issue 35 million ordinary shares at A\$4.10 per Share and receive cash proceeds in Australian dollar terms of A\$143.50 million (being the minimum subscription amount). This amount will be higher if the Final Price is set above A\$4.10.
- (ii) Costs relating to the issue and listing of the abovementioned ordinary shares of A\$10.61 million, and the listing of pre-Offer shares of A\$1.54 million, are expected to be paid. A deferred tax asset of A\$3.65 million will be recognised in relation to the costs. The after tax costs relating to the issue and listing of the ordinary shares of A\$7.43 million will be recognised in equity, while the after tax cost relating to the listing of pre-Offer shares of A\$1.08 million will be recognised as an expense. These costs will be higher if the Final Price is set above A\$4.10.
- (iii) The senior debt of Talison Minerals of US\$75.00 million (A\$85.90 million based on the exchange rate at 30 September 2009) will be repaid. Previously deferred borrowing costs that relate to the senior debt will be expensed (pre-tax A\$2.27 million at September 2009) and a deferred tax asset of A\$0.68 million will be recognised in relation to the expensed borrowing costs. A current tax liability of A\$1.44 million relating to an unrealized foreign exchange gain on the senior debt will crystallise on repayment of the debt (based on the exchange rate at 30 September 2009).
- (iv) An amount will be paid to Talison Tantalum in compensation for the net trade and other receivables and trade and other payables acquired (A\$1.04 million at 30 September).
- (v) Cash is expected to be provided as security for rehabilitation bonds (A\$3.86 million at 30 September 2009) replacing the letter of credit facility previously provided by Westpac and RCF for these bonds.

8.10 Summary of critical accounting policies

IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

The accounting policies that involve significant management estimates and assumptions are discussed below.

Impairment of Assets

At each reporting date management must consider whether they have any reason to believe any assets may be impaired. If there are such impairment indicators, management must determine the recoverable amount of each group of assets referred to as a cash generating unit (**CGU**). The recoverable amount of each CGU is determined as the higher of value-in-use and fair value less costs to sell. These calculations require the use of estimates.

Given the nature of the Company's activities, future changes in long-term assumptions upon which these estimates are based, may give rise to material adjustments to the current or future years, such as product pricing, exchange rates, production volumes, costs of production and discount rates. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of additional impairment charges in the future.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the CGU, relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current assets within the next reporting period.

Deferred Waste Mining Costs

The Company capitalises the costs associated with the removal of waste rock using a life of mine waste-to-ore strip ratio. Costs of mining of waste rock, in excess of the life of mine waste-to-ore strip ratio, are accumulated and classified as property, plant and equipment. Significant judgement is required in determining the life of mine (**LOM**) strip ratio. Factors that will affect this ratio include future changes in pit design, cost structures, product price changes and grade recoveries against modeled grades. When these factors change or become known in the future, such differences will impact the deferred stripping costs in property, plant and equipment in the period in which they change or become known.

Rehabilitation and Mine Closure Provisions

Rehabilitation and mine closure provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the three key assumptions used to determine the provisions, could have a material impact to the carrying value of the provision. In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in the income statement.

Ore Reserves

Reserves are estimates of the amount of mineral product that can be economically extracted from the Company's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long-term commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analysing geological data. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Company determines and reports ore reserves in accordance with the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimated future cash flows;
- Depreciation and amortisation charged in the income statement may change where such charges are calculated using the units of production basis; and
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves after expectations about the timing or cost of these activities.

Depreciation and amortisation of mining assets is prospectively adjusted, based on these changes.



Investigating Accountant's Report

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KPMG Transaction Services (Australia) Pty Limited
Australian Financial Services Licence No. 245402
235 St Georges Terrace
Perth WA 6000

ABN: 65 003 891 718
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

GPO Box A29
Perth WA 6837
Australia

The Directors
Talisson Lithium Ltd
Level 4
37 St Georges Terrace
Perth WA 6000

23 November 2009

Dear Sirs

Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

1 Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Talison Lithium Ltd ("Talisson Lithium") to prepare this report for inclusion in the prospectus to be dated 23 November 2009 ("Prospectus"), and to be issued by Talison Lithium.

Expressions defined in the Prospectus have the same meaning in this report.

2 Scope

KPMG Transaction Services has been requested to prepare a report covering the Pro Forma Historical Financial Information and Directors' Forecasts described below and disclosed in the Prospectus.

The Pro Forma Historical Financial Information and Directors' Forecasts are presented in an abbreviated form in the Prospectus insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

2.1 Review of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information, as set out in the table headed "Summary income statements" in section 8.3, the table headed "Summary cash flow statements" in section 8.4 and the Pro forma consolidated balance sheet in section 8.9, of the Prospectus, comprises the pro forma, unaudited income statements and statements of cash flows of Talison Lithium for the period from 27 August 2007 to 30 June 2008 and the year ended 30 June 2009, and the unaudited pro forma balance sheet of Talison Lithium as at 30 September 2009 (collectively the "Pro Forma Historical Financial Information").

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Talison Lithium Ltd
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23 November 2009

The Pro Forma Historical Financial Information has been based on the financial information for the Greenbushes Lithium Operations derived from the audited financial statements of Talison Minerals Pty Ltd ("Talison Minerals"), and after adjusting for the pro forma transactions and/or adjustments described in section 8.9.1 of the Prospectus.

For the purposes of preparing this report we have reviewed the Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 8.9.1 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Talison Lithium disclosed in section 8.10 of the Prospectus.

We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of Historical Financial Information of the Greenbushes Lithium Operations from the audited financial statements and unaudited financial records of Talison Minerals for the historical financial periods;
- analytical procedures on the Pro Forma Historical Financial Information of Talison Lithium for the period from 27 August 2007 to 30 June 2008 and the year ended 30 June 2009;
- a review of the assumptions used to compile the Pro Forma Historical Financial Information including the adjustments to reflect the acquisition of the lithium operations, marketing contracts and employees;
- a review of the adjustments made to the Pro Forma Historical Balance Sheet at 30 September 2009 to show the impact of the pre IPO restructure and the issue of equity and pay down of debt expected to occur as a result of the IPO as if it happened at that date;
- a review of Talison Lithium's and Talison Minerals' work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Talison Lithium disclosed in section 8.10 of the Prospectus; and
- enquiry of directors, management and others in relation to the Pro Forma Historical Financial Information.



The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review has not been carried out in accordance with auditing or other standards and practices generally accepted in countries other than Australia, including Canada, Hong Kong, Singapore or New Zealand and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

2.2 Review of Directors' Forecasts and Directors' best-estimate assumptions

The Directors' Forecasts are set out in the table headed "Summary income statements" in section 8.3 and the table headed "Summary cash flow statements" in section 8.4 of the Prospectus and include the Directors' Statutory Forecast and the Directors' Pro Forma Forecast which comprises the statutory and pro forma forecast income statement and statement of cash flows of Talison Lithium for the year ending 30 June 2010.

The Directors' Forecasts have been prepared by the directors to provide investors with a guide to Talison Lithium's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The Directors' best-estimate assumptions underlying the Directors' Forecasts are set out in section 8.6 of the Prospectus.

There is a considerable degree of judgement involved in the preparation of any forecast. Consequently, the actual results of Talison Lithium during the forecast period may vary materially from the Directors' Forecast, and that variation may be materially positive or negative.

The sensitivity of the Directors' Forecasts to changes in key assumptions is set out in section 8.7 of the Prospectus and the risks to which the business of Talison Lithium is exposed are set out in section 7 of the Prospectus. Investors should consider the Directors' Forecasts in conjunction with the analysis in those sections.

We have reviewed the Directors' Forecasts and the Directors' best-estimate assumptions underlying the Directors' Forecasts, set out in the table headed "Summary income statements" in section 8.3, the table headed "Summary cash flow statements" in section 8.4 and section 8.6 of the Prospectus, in order to state whether, on the basis of procedures described, anything has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' Forecasts;
- the Directors' Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions or prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards

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23 November 2009

(including the Australian Accounting Interpretations), and the accounting policies adopted by Talison Lithium disclosed in section 8.10 of the Prospectus; and consequently that

- the Directors' Forecasts themselves are unreasonable.

We have conducted our review in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance engagements Other than Audits or Reviews of Historical Financial Information*. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Our review of the Directors' Forecasts and the Directors' best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' Forecasts or the Directors' best-estimate assumptions.

3 Directors' responsibilities

The directors of Talison Lithium are responsible for the preparation and presentation of:

- the Pro Forma Historical Financial Information, including the determination of the pro forma transactions and/or adjustments; and
- the Directors' Forecasts, including the best-estimate assumptions on which the Directors' Forecasts are based and the sensitivity of the Directors' Forecasts to changes in key assumptions.

The Directors' responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial information in the Prospectus that is free from material misstatement, whether due to fraud or error.



4 Review statements

4.1 Review statement on the Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, comprising the:

- the pro forma historical income statements and statements of cash flows of Talison Lithium for the period from 27 August 2007 to 30 June 2008 and the year ended 30 June 2009 set out in the table headed "Summary income statements" in section 8.3 and the table headed "Summary cash flow statements" in section 8.4 of the Prospectus; and
- the pro forma historical balance sheet of Talison Lithium as at 30 September 2009 set out in section 8.9 of the Prospectus.

is not prepared, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 8.9.1 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies adopted by Talison Lithium disclosed in section 8.10 of the Prospectus.

4.2 Review statement on the Directors' Forecasts and the Directors' best-estimate assumptions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the Directors' best-estimate assumptions, set out in section 8.6 of the Prospectus, when taken as a whole, do not provide reasonable grounds for the preparation of the Directors' Forecasts;
- the Directors' Forecasts, set out in the table headed "Summary income statements" in section 8.3 and the table headed "Summary cash flow statements" in section 8.4 of the Prospectus, are not properly compiled on the basis of the Directors' best-estimate assumptions or prepared, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies adopted by Talison Lithium disclosed in section 8.10 of the Prospectus; and consequently that
- the Directors' Forecasts themselves are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of Talison Lithium. If events do not occur as assumed, actual results achieved by Talison Lithium may vary significantly from the Directors' Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Directors' Forecasts, as future events, by their very nature, are not capable of independent substantiation.

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5 **Independence**

KPMG Transaction Services does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Talison Lithium and from time to time, KPMG also provides Talison Lithium with certain other professional services for which normal professional fees are received.

6 **General advice warning**

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Matthew Kelly
Director



KPMG Transaction Services (Australia) Pty Limited
Australian Financial Services Licence No. 245402
235 St Georges Terrace
Perth WA 6000

ABN: 65 003 891 718
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

GPO Box A29
Perth WA 6837
Australia

Financial Services Guide

Dated 23 November 2009

KPMG Transaction Services

KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718 (“KPMG Transaction Services” or “we” or “us” or “ours” as appropriate) holds an Australian Financial Services Licence (“AFSL”) issued by the Australian Securities and Investment Commission on 11 March 2004. Our AFSL number is 245402.

We have been engaged by Talison Lithium Limited (“Talison Lithium”) to issue general financial product advice, about Talison Lithium’s financial products, in the form of an Investigating Accountant’s Report to be provided to you. We are required to include this FSG in our Report because we have authorised the product issuer to include our Investigating Accountant’s Report in the Prospectus for Talison Lithium’s financial products.

Purpose of the FSG

The purpose of this FSG is to:

- help you decide whether to consider the Investigating Accountant's Report;
- contain information about remuneration to be paid to us in relation to the Investigating Accountant's Report;
- contain information on the financial services we are authorised to provide under our AFSL; and
- contain information on how you can complain against us.

Financial services we are licensed to provide

Our AFSL authorises us to provide financial product advice in relation to interests in managed investment schemes (excluding investor directed portfolio services) and securities (such as shares and debentures) to wholesale and retail clients.

General Financial Product Advice

In the Investigating Accountant's Report, we provide general financial product advice, not personal financial product advice. It has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on any advice contained in the Investigating Accountant's Report.

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Talison Lithium Ltd
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Fees, commissions and other benefits

We charge fees for providing reports. These fees are agreed with, and paid by, the product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Talison Lithium has agreed to pay us \$300,000 for providing the Investigating Accountant's Report.

Except for the fees referred to above, neither KPMG Transaction Services, nor its representative, or any of its employees, involved in the provision of the report, receive any pecuniary or other benefits, directly or indirectly, for or in connection with, the provision of the Investigating Accountant's Report.

All our employees receive a salary and our directors or employees may receive partnership distributions from KPMG or bonuses based on overall productivity, but not directly in connection with any engagement for the provision of a report.

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures, KPMG Transaction Services is ultimately wholly owned by, and operates as part of, KPMG's Australian professional advisory and accounting practice. Our directors may be partners in KPMG's Australian partnership. From time to time KPMG Transaction Services or KPMG and/or KPMG related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us. All complaints must be in writing, addressed to The Complaints Officer, KPMG Transaction Services, PO Box H67, Australia Square, Sydney NSW 1213. When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

If you are not satisfied with the outcome of the above process, or our determination, you have the right to refer the matter to the Financial Ombudsman Service Limited ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. Further details about FOS are available at the FOS website: www.fos.org.au. FOS can also be contacted by telephone on 1300 78 08 08.

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.



Independent Technical Experts' Report

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ACN No. 065 713 724

Minerals Industry Consultants

Level 9, 80 Mount Street
North Sydney, NSW 2060
Australia

Tel: 612 9954 4988
Fax: 612 9929 2549
Email: bdaus@bigpond.com

19 November 2009

The Directors
Talisson Lithium Limited
Level 4, 37 St Georges Terrace
Perth WA 6000
Dear Sirs

**INDEPENDENT TECHNICAL REPORT
TALISON LITHIUM PROJECT – GREENBUSHES – WESTERN AUSTRALIA
BEHRE DOLBEAR AUSTRALIA PTY LIMITED**

1.0 INTRODUCTION

Talisson Lithium Limited ("Talisson Lithium") has requested Behre Dolbear Australia Pty Limited ("BDA") to undertake the preparation of an independent technical report for inclusion in the prospectus of a proposed Initial Public Offering ("IPO") of Talisson Lithium on the Australian Securities Exchange ("ASX"), in association with the listing of the company on the Toronto Stock Exchange.

In 2007, Talisson Minerals Pty Limited ("Talisson") acquired the Greenbushes Operations from Sons of Gwalia Limited (subject to deed of company arrangement) ("Sons of Gwalia"), comprising a crushing plant, two lithium ore treatment plants, tantalum primary and secondary plants, three open pits, an underground mine and associated infrastructure at Greenbushes in southwest Western Australia ("WA") (Figure 1). In October 2009, Talisson decided to reorganise its operations with a view to separating its lithium and non-lithium assets into separate entities. Talisson will transfer the lithium assets at the Greenbushes Operations into a separate newly incorporated company called Talisson Lithium (Australia) Pty Ltd ("TLA"). At the same time the tantalum assets including the crushing plant will be distributed to the existing Talisson shareholders leaving Talisson as the parent entity for Talisson Services Pty Ltd ("Talisson Services") and TLA which in turn will own all the lithium assets. The shareholders of Talisson have incorporated a new company, Talisson Lithium which will become the parent company of Talisson. Talisson Lithium, Talisson, TLA and Talisson Services will comprise the "Talisson Lithium Group". Following the re-organisation, Talisson will not have any interest in the tantalum assets previously owned by Talisson, other than the rights to the lithium mineralisation. The tantalum operation is currently on care and maintenance due to prevailing market conditions for tantalum.

Completion of the above reorganisation (the "Reorganisation") is a condition to issuing ordinary shares under the IPO and this report assumes it has been completed. The funds from the IPO will be used to repay existing debt, provide additional working capital and pay for the costs of the IPO.

BDA's review covers the geology, exploration, resource and reserve aspects, mining, processing, infrastructure, environmental and social aspects of the project, project approvals, life of mine production plans, project capital and operating costs, financial analysis and project risks. The principal sources of information include the Mineral Resource reports prepared by Quantitative Group Pty Ltd ("QG"), the internal reports of Talisson and historical data on the Greenbushes Operations. BDA visited the site in September 2009. BDA has been assisted in the preparation of this report by Scott Jackson of QG, who has undertaken the resource modelling and reporting.

Denver New York Toronto London Guadalajara Santiago Sydney

BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously worldwide since 1911, with offices in Denver, New York, Toronto, Vancouver, Guadalajara, Santiago, Hong Kong, London and Sydney. Behre Dolbear specialises in mineral evaluations, due diligence studies, independent expert reports, independent engineer certification, valuations, and technical audits of resources, reserves, mining and processing operations and project feasibility studies.

BDA has not undertaken an audit of the data, re-estimated the resources or reserves, or reviewed the tenement status with respect to any legal or statutory issues. Talison Lithium advises that there are no title impediments to the proposed operation and that all project tenements are in good standing.

BDA has reviewed the resource and reserve reporting and classifications and considers that these are in accordance with the December 2004 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("AusIMM"), the Australian Institute of Geoscientists ("AIG"), and the Minerals Council of Australia ("MCA"), the "JORC Code".

The report is in accordance with the 2005 "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports" (the "Valmin Code") as adopted by the AusIMM. The satisfaction of requirements under both the JORC and Valmin Codes is binding upon those authors who are members of either the AusIMM or AIG.

All monetary amounts expressed in this report are in Australian dollars ("A\$") unless otherwise stated.

This report provides an independent assessment of the technical aspects of the Talison Lithium project and potential risks. The report is provided to the Directors of Talison Lithium for the purpose of a listing on the ASX and the issue of an IPO; it should not be used or relied upon for any other purpose. The report does not constitute a technical or legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without BDA's written consent to the form and context in which it appears.



Talison Lithium Limited

Greenbushes Lithium Operations
Location Plan

Figure 1

Behre Dolbear Australia

BEHRE DOLBEAR

2.0 EXECUTIVE SUMMARY

Background

Talison produces lithium mineral concentrates from its operations at Greenbushes located approximately 250 kilometres (“km”) south of Perth, at latitude 33° 52’ S and longitude 116° 04’ E and 90km east of the port of Bunbury, a major bulk handling port in the southwest of WA (Figure 1). The lithium mining operation is in close proximity to the Greenbushes town site located in the Shire of Bridgetown-Greenbushes (population 4,200). Greenbushes has a population of approximately 450 people and is serviced by the larger town of Bridgetown. It is connected to the regional centre of Bunbury by the South Western Highway.

Exploration in the Greenbushes district dates back to the 19th century with the discovery of cassiterite in 1886. Early production came from alluvial deposits of tin and tantalite. Spodumene was first identified in 1949. The extent of the pegmatite outcrop was masked by laterite cap rock and alluvium. Modern exploration relevant to the current lithium operations and resources has been undertaken since the mid-1980s. A number of operators have been involved, including Talison, Sons of Gwalia, Gwalia Consolidated Limited, Lithium Australia Limited and Greenbushes Limited.

About 55% of the tenements to be held and controlled by TLA, a wholly-owned subsidiary of Talison Lithium are covered by State Forest which is under the authority of the WA Department of Environment and Conservation (“DEC”). The majority of the remaining land is Private Land covering about 40% of the surface rights. The remaining ground comprises Crown Land, Road Reserve and other miscellaneous reserves.

Lithium ore is mined and concentrated on site and the lithium products are shipped through two ports. Bulk products are shipped through Bunbury with containerised products shipped through the port of Fremantle near Perth.

The Greenbushes Operations includes open pit and underground mines, a crushing facility, two lithium minerals processing plants, primary and secondary tantalum processing plants and associated infrastructure. Only lithium minerals are mined and processed by TLA from the open pits. The tantalum primary and secondary processing plants are owned by Talison Greenbushes Pty Limited (“Talison Greenbushes”) and these facilities are on care and maintenance. Talison Greenbushes also owns the crusher with TLA having a license to use the facility to crush lithium ore.

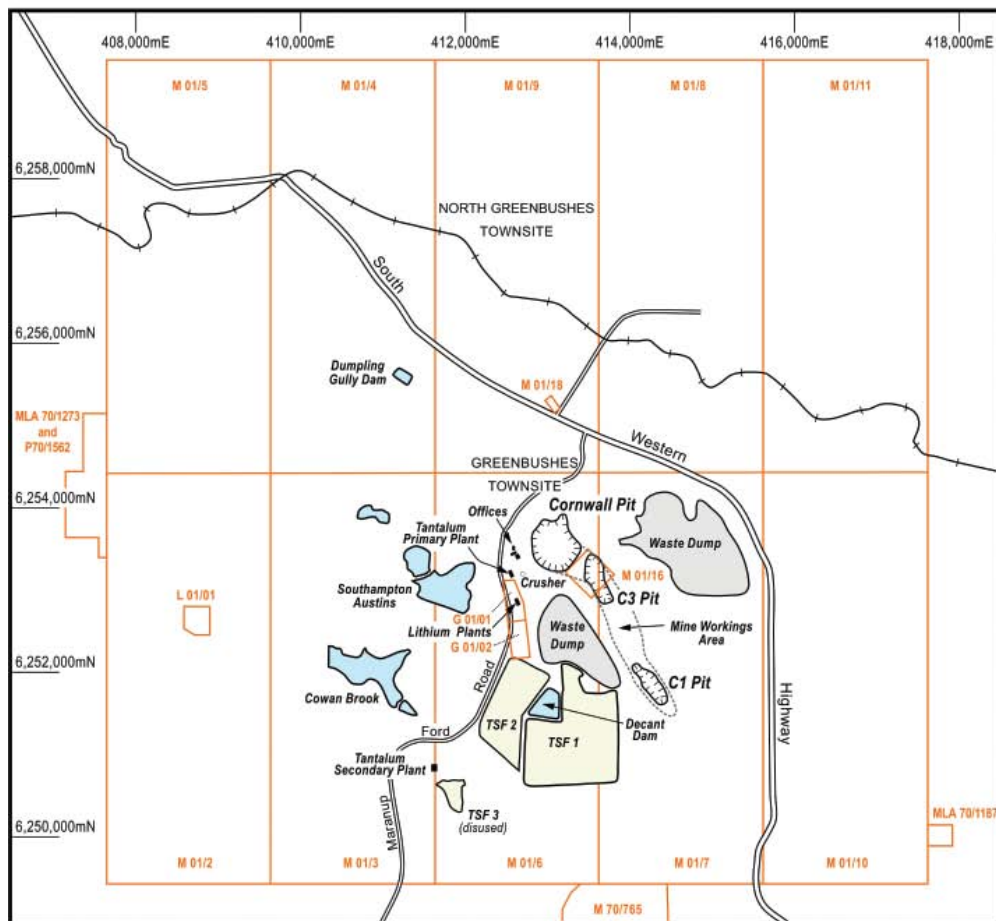
There are currently 10 million tonnes (“Mt”) of lithium Ore Reserves within the C3 and C1 pits, sufficient for approximately 14 years of mine life and the orebody remains open both along strike and at depth. All production to meet current demand is sourced from these pits.

TLA's lithium processing operations at Greenbushes include a crushing plant, under a license/toll treatment arrangement, two processing plants and associated administrative, workshop, laboratory and other infrastructure, all located adjacent to the open pit mining operation (Figure 2). Lithium ore treatment commenced at the site in 1984-85 and has been expanded progressively since that time to its current capacity of about 600,000 tonnes per annum (“tpa”) of ore feed. The two plants, the Technical Grade Plant (“TGP”) and the Chemical Grade Plant (“CGP”) produce mineral concentrates containing a range of lithium grades with varying iron impurity levels. Low iron technical grade (“TG”) concentrates are produced in the TGP; chemical grade (“CG”) concentrates which contain higher levels of iron are produced in the CGP and also in the TGP when the latter plant is not required for production of low iron concentrates. The main use for low iron concentrates is as feedstock for the glass and ceramic industries. The CG concentrates are mostly supplied to lithium chemical processors. A critical aspect of the operation is the requirement that TG and CG ores must be able to be discriminated in the mining process. The essential difference between the two ores is the lower iron content of the spodumene in the TG ore.

The operation has recently upgraded both the TGP and the CGP to meet anticipated growth in demand for lithium concentrates. While the market is continuing to grow at a modest rate, the demand for concentrates within the different non-chemical sectors can fluctuate. Additional equipment has been added to the TGP providing flexibility to vary the ratio of the different lithium concentrates to meet market requirements. In the CGP a new circuit has been added to process the fines fraction from the existing circuit.

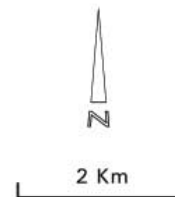
BEHRE DOLBEAR

A summary of the last five years production of ore and concentrate is shown in Table 2.1.



LEGEND

- Tenement boundary
- Road
- Railway
- Open pit
- Tailing Storage Facility
- Water storage



Talison Lithium Limited

**Greenbushes Lithium Operations
Site Layout Plan**

Figure 2

Behre Dolbear Australia

Table 2.1: Recent Lithium Production History

Year Ending 30 June	Lithium Ore Mined kt	Lithium Concentrates kt	Total Lithium Production (kt LCE)
2005	367	146	21
2006	390	183	25
2007	390	271	37
2008	572	235	33
2009	507	209	31

Note kt = thousand tonnes; the 2007 lithium products includes sale of crushed ore; "LCE" = lithium carbonate equivalent.

Talison Reorganisation

BDA has not undertaken legal due diligence on the various company ownerships and structures. The following details of property and mineral rights over the Greenbushes Operations and associated tenements are based on information provided by Talison and are provided to give clarification of the rights applying to Talison Lithium.

At present, all the assets at the Greenbushes operation including the tenements are owned by Talison through its subsidiary Talison Greenbushes. Talison also owns the services companies Talison Services and Talison Marketing Pty Limited.

Under the proposed structure, the assets will be split between TLA and Talison Greenbushes. TLA will own all the lithium contract sales to customers and 100% of the assets at the Greenbushes Operations including all the tenements as listed in Section 12 except for the following, referred to as the 'Excluded Assets':

- minerals rights to any minerals other than lithium
- the existing crushing facility
- the tantalum primary and secondary processing plants
- the proposed General Purpose Licences covering the crushing and tantalum processing facilities.

While TLA will own the mining tenements, a Reserved Rights Agreement will give Talison Greenbushes the rights to access the tenements to explore for all minerals other than lithium and if economically viable, to mine and process these minerals. Included within this agreement are the mechanisms for both parties to agree on exploration and mining for their respective minerals.

A crushing licence agreement will provide TLA with a licence to crush its ore through Talison Greenbushes' existing facility. In the event that Talison Greenbushes re-starts tantalum operations, TLA may either negotiate to continue crushing its ore through the facility or source an alternative facility to crush lithium ore.

TLA will own the infrastructure at Greenbushes including the buildings, utilities (gas, water supply, power) waste dumps and tailings dams. A Shared Services Agreement will provide a mechanism for Talison Greenbushes to access and share these facilities.

The areas containing the crusher, tantalum primary and secondary plants will ultimately be excluded from TLA's tenements and will be covered by General Purpose Licences held by Talison Greenbushes.

Details of the corporate structure before and after the Reorganisation are set out in the Talison Prospectus of which this report is a part.

Tenement Holdings/Ownership

BDA has not undertaken legal due diligence on the status of the mineral tenements to be held by TLA in the Greenbushes area, however BDA understands that a solicitor's report on these tenements is to be provided by others. The mineral tenement details provided in this report are based on information provided by Talison.

The tenements to be held include mining leases, mining lease applications, prospecting licence application, general purpose leases and miscellaneous licences (Table 12.1). The tenements total approximately 10,000 hectares ("ha") and cover the historic Greenbushes tin, tantalum and current lithium mining areas. The operating lithium mining and processing plant area covers about 2,000ha comprising Mining Leases M01/06, M01/07 and M01/16. TLA will hold the mining rights for all lithium minerals on these tenements, whilst Talison Greenbushes will hold the mining rights to all minerals other than lithium through a Reserve Rights Agreement. Talison Lithium plans in future to lodge new conditional surrenders of those areas covering the tantalum plants and the crusher as well as sufficient area required by Talison Greenbushes for its tantalum operations.

Mining Leases M01/06, M01/07 and M01/16 contain the entire Measured, Indicated and Inferred Mineral Resource. All lithium mining activities, including tailings storage, processing plant, open pits and waste rock dumps are located within the boundaries of Mining Leases M01/06, M01/07 and M01/16 plus General Purpose Leases G01/01 and G01/02.

Geology and Mineralisation

The Greenbushes deposit consists of a main, rare-metal zoned pegmatite with numerous smaller pegmatite dykes and pods in the footwall of the main body. The main pegmatite and its subsidiary dykes and pods are concentrated within shear zones which form along the boundary between sequences of granofels and amphibolite. The pegmatite body strikes in a north to northwesterly direction and dips moderately to steeply towards the west-southwest.

The syn-tectonic development of the pegmatite has given rise to well developed mylonitic fabrics, particularly along host rock contacts. The mine sequence has been intruded by Proterozoic dolerite dykes and sills. The dykes trend east-west and vary in width from a few centimetres to tens of metres.

The pegmatite bodies of the Greenbushes deposit are mineralogically zoned, but these do not conform to the conventional concentric zonation models of other pegmatite bodies. Rather, zones are generally lenticular in nature and interfinger along strike and down dip. The primary ore minerals are found in specific mineral assemblages displaying complex mineralogical zoning. The Lithium or Spodumene Zone is enriched in the lithium-bearing silicate mineral spodumene. Tantalite and cassiterite mineralisation are concentrated in the Sodium or Albite Zone which is characterised by albite (Na-plagioclase), tourmaline and muscovite. A third zone, of lesser commercial importance, contains concentrations of the potassium feldspar microcline. Other accessory minerals present in the pegmatite are phosphates such as apatite, minor beryl and garnet.

The Greenbushes lithium deposits belong to the spodumene sub-class of the lithium-caesium-tantalum pegmatite deposit class. The pegmatites are hosted in a major regional structure and represent a late-stage product of cooling granite magma. Early crystallisation of the pegmatite formed albite-tourmaline zones, followed by albite, cassiterite and tantalite crystallisation. Spodumene-quartz assemblages crystallised at slightly lower temperatures.

The Greenbushes pegmatite is distinguished from many other rare-metal pegmatites by:

- not being symmetrically or truly asymmetrically zoned and not having a quartz core
- having no indication of a parental granitoid at depth or in close proximity
- being formed at higher pressure/temperature, under synkinematic conditions

The Greenbushes pegmatite consists of five mineralogically defined zones the Contact Zone, the K-feldspar (Potassium) Zone, the Albite (Sodium) Zone, the Mixed Zone and the Spodumene (Lithium) Zone. The zones occur as a series of thick layers commonly with a Lithium Zone on the hangingwall or footwall, Potassium Zone towards the hangingwall and a number of central Albite Zones. High-grade tantalum mineralisation (>420 grams per tonne) is generally confined to the Albite Zone within the deposit. The Spodumene and K-feldspar Zones generally have poor tantalum-tin grades. Major minerals and approximate abundances in the Greenbushes pegmatite are quartz 28%, spodumene 26%, albite 23%, K-feldspar 20%, tourmaline 1%, mica 1% and apatite 0.5%.

The Greenbushes pegmatite extends over a strike length of approximately 3km north-south and a width of up to approximately 250 metre ("m"). It has been sub-divided into four sectors representing past and present open pit operations known as (from north to south) the Cornwall (tantalum only), C3, C2 and C1 areas. The C3 area contains the main lithium deposit in which spodumene makes up about 50% of the rock, with the remainder being largely quartz. The ore body is about 600m long and up to 100m wide, dipping at 30°-80° to the west or southwest. The C1 area contains a second lithium deposit, some 500m long by 150m wide and dipping moderately to the west. The C2 lithium area lies between C1 and C3 and extends for about 600m, varies in width up to about 30m and dips moderately to the west. Limited mining has been undertaken in this part of the lithium-bearing pegmatite. Continuity of lithium mineralisation at +1.5% lithium oxide ("Li₂O") is demonstrated in the mineral resource model to be over 2km from the south of the C1 area to north of the C3 area.

Resources/Reserves

The total Greenbushes lithium resource estimate as of the end of June 2009 is shown in Table 2.2, with a breakdown according to the three known deposits C3 (above and below 1100m reduced level ("RL")), C2 and C1. Resources have been estimated by independent specialist QG. Mineral Resources for the C3 area above 1100mRL are derived from QG's 2009 resource model, while the C1, C2 and deeper C3 resources were determined from QG's 2007 model. The 2009 C3 model separately identifies and reports TG and CG material, whereas TG material is essentially absent from C1, C2 and deeper C3 areas. All resources are reported as of the end of June 2009, using the end of month mining survey. Subsequent production has occurred, but the impact on total resources is not significant.

Table 2.2: Summary of Greenbushes Lithium Mineral Resources – 30 June 2009

Category	Ore Type	Tonnage (Mt)	Li ₂ O Grade (%)
Measured	TG	0.02	4.3
	CG	0.08	4.0
Total Measured Mineral Resource	Combined	0.11	4.1
Indicated	TG	2.9	4.3
	CG	18.4	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Indicated Mineral Resource	Combined	22.4	3.7
Measured and Indicated	TG	2.9	4.3
	CG	18.5	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Measured and Indicated Mineral Resource	Combined	22.5	3.7
Inferred	TG	0.03	4.0
	CG	2.6	3.5
	< 3.2% Li ₂ O	0.05	3.1
Total Inferred Mineral Resource	Combined	2.7	3.5
All Mineral Resources	TG	2.9	4.3
	CG	21.0	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Mineral Resource	Combined	25.2	3.6

Notes: Mineral Resources include TG Ore type at a 4% Li₂O block cut-off (and ferric oxide ("Fe₂O₃") < 0.1%) and CG Ore type at a 3.2% Li₂O block cut-off; resources estimated by Ordinary Kriging ("OK") into 20mNx20mEx5mRL parent blocks; stockpiles included as Measured Mineral Resources; some rounding errors in totals.

The Mineral Resource statement was compiled by Scott Jackson of QG and reviewed by Dan Greig of BDA both of whom are appropriately qualified to act as "Competent Persons" as defined in the JORC Code.

Ore Reserves have been estimated for C3 and C1 open pits and are shown in Table 2.3. All TG ore is contained within the C3 pit and 78% of CG ore is contained in the C3 pit with the remainder, excluding stockpiles contained within the C1 pit.

Table 2.3: Summary of Greenbushes Lithium Ore Reserves – 30 June 2009

Category	Ore Type	Tonnage (Mt)	Li ₂ O Grade (%)
Proved	TG	0.02	4.3
	CG	0.08	4.0
Total Proved Reserves	Combined	0.11	4.1
Probable	TG	2.3	4.4
	CG	7.6	3.7
Total Probable Reserves	Combined	9.9	3.9
Total	TG	2.3	4.3
	CG	7.7	3.7
Total Reserves	Combined	10.0	3.9

Note: Proved Ore Reserves are exclusively run of mine ("ROM") stockpiles; some rounding errors in totals; mining depletion since 30 June 2009 to 30 September 2009 is 130,000t.

The Ore Reserve statement was compiled by David Miller of Talison and reviewed by Peter Ingham of BDA both of whom are appropriately qualified to act as "Competent Persons" as defined in the JORC Code.

Based on the projected mining rate the defined Ore Reserve will support a mine life of 14 years, with a waste to ore stripping ratio of approximately 2.3:1. Dilution has been estimated at 0% and mining recovery at 100% which would normally be considered optimistic by BDA but which appear reasonable based on reconciliation data for the 2008 calendar year.

There is potential for additions to the Greenbushes lithium resource along strike to the north and south of the current mining areas, and at depth. In addition, further drilling is likely to convert some of the Inferred Mineral Resources in the C1 pit to the Indicated Mineral Resource category. No mine engineering has been completed to determine whether the C2 Indicated Mineral Resources or any of the Inferred Mineral Resources, if upgraded to a higher confidence level, could be converted into Ore Reserves.

Mining

The open pit operation currently utilises conventional mining methods with drilling and blasting of both ore and waste from the C3 pit and C1 pits. The load and haul fleet consists of a 120t hydraulic excavator, four 85t dump trucks (with six trucks available but requiring four trucks for most hauls) and an auxiliary fleet including front end loader, track dozer, rubber-tyred dozer, water truck and grader; these operations are carried out by mining contractor. Ore is taken to the ROM pad where it is stockpiled according to ore type, mineralogical characteristics and grade.

Reserves for the C3 pit were developed through pit optimisation analysis of both TG and CG ore types. The analysis was carried out on the C3 resource model based on the contract mining costs and recent historical costs and plant yields. The geotechnical parameters including slope angles used in the optimisation were drawn from recommendations and reviews by independent consultants. Mine designs were completed in accordance with established slope stability criteria with 30m bench heights, 18m bench widths and overall wall angles of 50°. Local berm angles vary with local ground conditions. Ramp width is 18m for single-way and 24m for two-way traffic. Ramp gradient is 1:10. The final C3 pit design will be approximately 230m deep, 800m north-south and 500m east-west and is planned to be mined in three stages to ensure continuity of TG and CG ore production and to minimise waste removal over the life of the pit.

The mine design for C1 pit was not based on an optimisation analysis but was designed to meet the waste to ore strip ratio that ensured the pit's profitability. The pit used similar design parameters as used in the C3 pit. There was no attempt to differentiate and recover the minor quantities of TG material in the C1 pit. The mine plan for the C1 pit is presently based on the excavation of a single-staged pit with the potential to extend north. The current final C1 pit will be approximately 95m deep, 500m north-south and 300m east-west.

Based on a review of reconciliation data, Talison has allowed for 100% mining recovery and 0% dilution. Considering the low tonnages of material mined, it is not possible to determine the recovery and dilution factors to a high degree of accuracy, but the increasing complexity of ore type definition anticipated from the resource model suggests that there will be growing challenges facing grade control in identifying and blocking out ore types below the current C3 pit floor.

Ongoing geotechnical data collection, test work and review are planned as the pits increase in depth to ensure the risk of slope failure is minimised.

No recent hydrological studies for the pit have been undertaken, however, based on the current open pit and underground tantalum mining below the elevation of the open pit mining of the C3 pit, there is no evidence of ground-water being a potential problem at Greenbushes. In view of a larger rainfall catchment area, as the 'footprint' approaches the final pit shell, additional pumping from the pit will be required.

Ore production rate is currently approximately 600,000tpa and total material movement is approximately 1.4 million bank cubic metres ("Mbcm") per annum. Waste is taken to the engineered waste dumps to the east of the pits.

Processing

The two lithium processing plants produce lithium concentrates assaying from 4.8% to 7.5% Li₂O and from 0.8% to 0.1% Fe₂O₃ from a high grade lithium ore. The CGP produces a high Fe₂O₃ CG concentrate which is sold into the lithium chemical market. The TGP produces a low Fe₂O₃ concentrate for the glass and ceramic market; this plant can also produce CG concentrate when production of low iron material is not required. The Fe₂O₃ content of the spodumene in the ore processed controls the level of this component in the concentrates.

Ore is crushed in a large four-stage crushing plant which also processes tantalum ore when required. The TGP comprises ball milling, magnetic separation, classification, gravity separation, flotation, dewatering and drying. TG concentrate is shipped either in bulk through the port of Bunbury or as a containerised bagged concentrate through the port of Fremantle.

The CGP includes crushing, grinding, classification, magnetic separation, concentration, flotation, and dewatering. CG concentrate is shipped in bulk through Bunbury.

The combined capacity of the plant is about 600,000tpa of ore from which about 260,000tpa of lithium concentrates can be produced. Talison plans to progressively expand the capacity of the plant and to improve its efficiency so that concentrate production can be increased as planned.

Infrastructure

Access to the Greenbushes Mine is via the sealed South Western Highway between Bunbury and Bridgetown to Greenbushes Township and via Maranup Ford Road to Greenbushes mine.

Currently operating infrastructure on site includes a crushing plant, two lithium processing plants, tailings disposal facilities, a laboratory, administrative offices, occupational health/safety/training offices, dedicated mines rescue area, stores, storage sheds, workshops and engineering offices. The crushing plant is owned by Talison Greenbushes and will be operated by TLA under a licence agreement. Talison Greenbushes also owns primary and secondary tantalum processing facilities on the Greenbushes site which are currently on care and maintenance.

The Greenbushes operation is located in the Blackwood Valley Catchment. Water supply for current mineral processing is sourced from rainfall and stored in several process dams located on site, with the majority of the water used being recovered and recycled through the water circuit. Surface water quality is measured and reported on a monthly basis.

The Talison Lithium Group purchases its power from Premier Power Sales Limited delivered to the site by Western Power's distribution system and reticulated and metered within the site by Talison. Peak demand for the lithium operation is approximately 4.3 megawatts ("MW") whilst average demand is approximately 2.4MW.

Talison uses liquefied petroleum gas ("LPG") fired dryers and other equipment in the plants and the laboratory. A total of approximately 890t of LPG is used by the lithium operation annually and is purchased and stored on site in bulk storage facilities.

Environmental and Community Issues

The Greenbushes site is situated approximately 300m above mean sea level ("AMSL"). The Greenbushes area has a mild Mediterranean temperate climate, with distinct summer and winter seasons. The mean minimum temperatures range from 4°C to 12°C, whilst the mean maximum temperatures range from 16°C to 30°C. The hottest month is January (mean maximum temperature 30°C), whilst the coldest month is August (mean minimum temperature 4°C).

There is a distinct rainfall pattern, with most of the rain occurring between May and October. The area averages about 970 millimetres ("mm") per annum with a range of about 610mm to 1,680mm. The evaporation rate for the area is calculated at approximately 1,190mm per annum.

Mining and processing operations at Greenbushes operate throughout the year.

The Greenbushes mining leases to be held by TLA cover State Forest (managed by the DEC) and privately owned land near Greenbushes. Talison is finalising the completion criteria for approximately 650ha of rehabilitated mine workings with the intent of returning these areas to be managed as part of State Forest. Each year as part of its annual environmental reporting to regulators, Talison is required to calculate site mine closure costs. The closure (rehabilitation liability) cost estimate for 2009 is A\$15.64M based on the 2008 disturbed areas totalling 1,804ha covering infrastructure areas, tailings storage facilities, overburden and waste rock dumps and open pits as reported in the 2008-09 Annual Environmental Review Report.

The site's main waste rock dump is located immediately east of the open pits and is an approved facility. The total waste rock dump capacity at 30 June 2009 is 10.9 million loose cubic metres ("Mlcm") and is sufficient for the waste removal from the open pits in the life of mine ("LOM") plan based on the Ore Reserves for the lithium operations.

Tailings are stored on site in three tailings storage facilities ("TSFs") TSF 1, TSF 2 and TSF 3. These three TSFs are located to the south of the plant with subaerial deposition from the peripheral embankments. Water released from the tailings is returned to the plant through centrally located pump-out decant.

Life of Mine Production Schedule

Table 2.4 shows the production schedule for Talison Lithium's operation for the life of mine. Initial material movement production is scheduled at 1.4Mbcm per annum reducing to 1.0Mbcm in 2013 and tailing off at the end of the LOM. Ore processed is scheduled to progressively increase from around 568,000tpa to 840,000tpa towards the end of mine life. Concentrate production is planned to increase from 260,000tpa to around 410,000tpa in response to an anticipated increase in demand for lithium chemicals, primarily due to growth in the secondary battery market.

Table 2.4: Talison Lithium Operation – Projected Production Schedule

Item	Unit	Financial Year												Total
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	21-24	
Ore Mined	Mbcm	0.21	0.22	0.23	0.22	0.24	0.23	0.26	0.26	0.30	0.27	0.33	0.96	3.75
Waste Mined	Mbcm	1.21	1.20	0.94	0.78	0.76	0.77	0.74	0.74	0.50	0.53	0.10	0.29	8.54
Total Mined	Mbcm	1.42	1.42	1.18	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.42	1.25	12.29
Strip Ratio	W:O	5.7	5.4	4.1	3.5	3.1	3.3	2.9	2.8	1.6	1.9	0.3	0.3	2.3
Ore Mined	kt	561	583	613	581	641	619	679	692	798	723	868	2,530	9,889
Ore Processed	kt	568	598	599	599	599	637	667	700	757	780	840	2,650	9,996
Conc. Produced	kt	260	275	277	277	277	309	324	340	369	380	412	1,295	4,795

Note: "W" = waste, "O" = ore

The key assumptions in respect of the projected production schedule relate to total material mined, ore mined, ore processed and resultant concentrate production. Further details in relation to these assumptions are set out in Section 14.

BDA considers that the production schedule is reasonable, generally reflecting the present performance at the operation, but notes that plant modifications will be required to enable to proposed increases in throughput and efficiency to be achieved.

Capital Costs

Total capital expenditure in FY 2009 was A\$12 million ("M") most of which was used to upgrade and expand the TGP and the CGP. Capital expenditure of A\$52M is forecast to be expended over the LOM. The majority of this expenditure will be used to expand production in the lithium minerals plant to meet forecast demand. The staged program will increase the plant's nameplate concentrate capacity from about 260,000tpa to over 400,000tpa. The key capital cost assumptions relate to expansion and sustaining capital. Further details in relation to these assumptions are set out in Section 15.

Operating Costs

Table 2.5 shows the average operating costs for the Talison lithium project over the LOM.

Table 2.5: Average LOM Operating Costs for the Talison Lithium Project

Activity	Unit	Unit Cost
Mining	A\$/t ore mined	26
Processing	A\$/t ore processed	33
G&A	A\$/t ore processed	5
Selling Expenses	A\$/t product	82

Note: costs are in real 2009 dollar terms; LOM selling costs are approximately A\$40/t processed giving total LOM operating costs of approximately A\$100/t processed.

The key operating cost assumptions relate to mining costs, processing costs, general and administrative costs and selling expenses and are set out in Section 16.

Mining costs vary between A\$17-39 per tonne ("/t") of ore, depending on the waste to ore strip ratio and the depth of the operation within the open pits, over the LOM. The strip ratio reduces from 5.7 in 2010 to 0.3 in the last four years.

Processing costs inclusive of crushing average A\$33/t over the LOM, decreasing from A\$35/t in 2010 to A\$31/t in 2020. The reduction is due to the increase in the annual tonnage of ore milled over the period. Talison projects that the average unit cost of production of lithium concentrate over the period from 2010 to 2020 will fall by around 20% due to a reducing waste to ore strip ratio and the improvements in productivity that are planned with the expansion of the plants.

Mining and processing costs are the main cost areas at site making up over 90% of the costs with general and administrative costs making up the remainder.

Selling expenses include packaging, land transport, storage, ship loading, royalties and marketing development costs as well as shipping freight costs.

3.0 RISK SUMMARY

3.1 Project Risk Summary

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behaviour during mining and processing can never be wholly predicted.

Estimations of the tonnes, grade and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling which, even at close drill hole spacing, remain a very small sample of the whole orebody. There is always a potential error in the projection of drill hole data when estimating the tonnes and grade of the surrounding rock. Even with close-spaced drilling, significant variations may occur.

Comprehensive metallurgical testwork can reduce the processing risk associated with plant expansions, but the questions of sample representivity and scale-up of the processes remain. Estimations of project capital and operating costs are rarely more accurate than $\pm 15\%$ and, depending on the status of the estimate, several areas may be nearer to $\pm 20\text{-}30\%$. Mining project revenues are subject to variations in commodity prices and exchange rates.

In reviewing the Talison Lithium project, BDA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified from low through to high. In Section 3.2, BDA has considered factors which may ameliorate some of these risks.

Risk Component	Comments
Resources/Reserves <i>Low-Medium Risk</i>	<p>In general, BDA would rarely rate resource risk as less than low-medium. The basic resource drilling grid at 50 x 50m is relatively wide and detailed grade control drilling indicates that the three dimensional location of mineralisation is inexact on a local scale. The majority of the resources are classified as Indicated and Inferred, which is considered appropriate. Reconciliation between the QG 2009 resource model and mine production is close.</p> <p>Sample data is based on both diamond and reverse circulation ("RC") percussion drilling. Although the audit trail is incomplete for older data, BDA considers that the data quality is generally good, and that the geology and mineralisation controls are well understood.</p> <p>The resource model has been independently prepared by QG, with input from Talison geologists on the domain modelling. Mineralogical and grade domains have been defined and these have controlled the preparation of the resource model, outlining the principal lithium mineralisation domains, pegmatite domains, and waste zones. A low sodium sub-domain has been interpreted in the 2009 C3 model to better define the presence of TG-style mineralisation, which is characterised by higher Li_2O and lower iron content in the spodumene. An Ordinary Kriging resource block model has been prepared. Statistical and visual validation of the resource model has been undertaken.</p> <p>An open pit mineable reserve has been estimated based on the C3 and C1 resource models. Mining dilution and mining recovery figures used in the reserve estimate appear generally acceptable, based on reconciliation data for 2008. Stripping ratios are low. There is potential to define additional mineable reserves within extensions along strike or at depth, including known Inferred Mineral Resources and currently sub-economic Indicated Mineral Resources which could be accessed cheaply if and when tantalite mining resumes in adjacent areas.</p>

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Risk Component	Comments
<p>Open Pit Mining</p> <p><i>Low Risk</i></p>	<p>In open pit mining there is a risk of localised or significant pit wall failure that will reduce the quantity of ore available; this is the case with Greenbushes, particularly with TG ore which is sourced from only the C3 pit. The mine design has taken into account the geotechnical consultants recommendations and the results from ongoing geotechnical reviews. BDA considers that the mine design has been completed with a relatively conservative approach to minimise geotechnical risk which is considered low.</p> <p>There is some risk from high rainfall affecting short term mine production. Talison has appropriate plans in place to mitigate the effects of such an event. During the planned cutbacks ore will be sourced from various levels within the pit.</p> <p>Overall risk component with in the open pit operation is considered to be low.</p>
<p>Processing</p> <p><i>Low Risk</i></p>	<p>The two processing plants have significant production histories producing a range of lithium concentrates. This history and the experience of Talison's technical and production staff provide confidence that the projected plant production can be achieved.</p> <p>Planned production increases are proposed to be met by carrying out a series of relatively minor modifications and expansions to the plant over the life of mine. The most recent such expansion was carried out in early 2009.</p> <p>The ore is high grade and is amenable to the processes used provided that high and low iron ores can be selectively mined and processed.</p>
<p>Services and Utilities</p> <p><i>Low Risk</i></p>	<p>There is some risk to the supply of electricity, gas and water to the lithium plants if the tantalum operation is re-started from care and maintenance; BDA considers these risks to be low</p>
<p>Infrastructure, Roads, Transport</p> <p><i>Low Risk</i></p>	<p>Greenbushes operations are well established in close proximity to the South Western Highway. Port access is well established although bulk shipments may be constrained by more stringent environmental regulations. The overall infrastructure risk is considered low.</p>
<p>Tenement and Title</p> <p><i>Low Risk</i></p>	<p>BDA has not undertaken a title search or legal due diligence on the status of the tenements or regulatory approvals held by Talison. BDA is advised by Talison that there are no material tenement issues relating to title to any of Greenbushes's assets. The approvals process for gaining variations to the original development approvals at Greenbushes appears relatively straightforward and all necessary approvals appear valid and appropriate for the operations. BDA can foresee no reason why future development approval applications or variations would not be forthcoming.</p>
<p>Social Issues</p> <p><i>Low Risk</i></p>	<p>The main social risk area relates to local communities becoming disenchanted from impacts associated with dust, noise, traffic and other issues associated with Talison's mining activities.</p> <p>The socio-economic benefits which positively impact on the Greenbushes community are an important driver to ensuring continuing community support for mining in the area.</p>

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Risk Component	Comments
Environmental Issues <i>Low Risk</i>	<p>Site environmental procedures and ongoing monitoring and data collection programmes appear to be well planned and implemented.</p> <p>Based on the information provided by Talison and from the site visit, BDA considers that the strategies for environmental protection, pollution control and monitoring are appropriate. The International Standards Organisation (“ISO”) ISO 14001 Environmental Management Systems deployed at Greenbushes provide an excellent environmental management base, setting out the numerous statutory obligations, policy statements and management objectives and targets, and standard operating procedures.</p> <p>The strategies for environmental protection, pollution control and monitoring on-site are appropriate. Based on the mitigation measures implemented, the risk associated with the potential for off-site impacts, including noise, dust and disturbance to surrounding ecosystems, is low.</p> <p>BDA has examined the LOM Working Closure and Rehabilitation Plan and associated cost estimation and considers it appropriate at the current stage of planning. The determination of closure costs is consistent with the LOM Business Plan.</p>
Production <i>Low/Medium Risk</i>	<p>While the current mine contractor is relatively new to site, the personnel and equipment have operated at site for some time with the previous contracting company and planned production levels have been met.</p> <p>CG ore type can be mined from both the C1 and C3 pits while TG ore type is limited to the C3 pit. While mine production risk is considered low there is some risk of TG ore type production being below planned levels due to the increasing complexity of TG ore within the CG ore in the C3 pit.</p> <p>Achievement of planned product tonnages requires a series of modifications to the processing plants to improve both throughput and efficiency. Delays or extended commissioning issues in these projects will affect production.</p>
Capital Cost <i>Low Risk</i>	<p>The majority of the A\$52M forecast expenditure over the LOM will be used to expand production in the lithium minerals plant to meet forecast demand. The staged programme will increase the plant's nameplate production capacity from about 260,000tpa to over 400,000tpa. The expenditure will be for additional equipment that is similar to the existing plant, hence the risk is considered to be low.</p>
Operating Cost <i>Low/Medium Risk</i>	<p>Major mine operating costs are contract mining costs for drill & blast and load & haul activities. Cost estimates reflect the contractual unit rates, excluding escalation. BDA considers there is some risk from cost increases including fuel and labour costs.</p> <p>Unit process operating costs are projected to decrease over the LOM due to increases in throughput and in plant efficiency. The process operating costs are considered generally reasonable by BDA but rely on modifications to the plant being carried out progressively over the next ten years of operations to increase plant throughput and to improve product yield.</p> <p>Overall operating costs are considered a low/medium risk.</p>

3.2 Risk Mitigation Factors

There are a number of factors which combine to reduce some of the risks identified above. Principal amongst these are:

- The geology is relatively straightforward, has been well modelled and the mineralisation controls are generally well understood. Geological and grade information gained from mining since 1983 further increases confidence in the geological interpretation and resource modelling.
- Reconciliation between the 2009 C3 resource model and mill production figures for 2008 shows close agreement in total ore tonnages and grade, although the resource model tends to understate TG ore and overestimate CG ore.
- There are known additional resources along strike from the currently designed C3 and C1 pits, providing good potential for additions to mineable reserves following infill drilling and further mining studies.
- The mining of lithium ore at Greenbushes is well established and the staff at site have significant experience in the operation.
- The Cornwall pit north of the C3 pit has been mined to a depth of 270m and there have been no major wall failures. The C3 pit is planned to a depth of 230m and wall slopes are planned to be similar to the Cornwall pit.
- The operation of the plant is well-established and technical and operational staff have a good understanding of the characteristics of the two ore types processed.
- Modifications planned to the plant are based either on expansion of the existing unit processes or on improvements to plant productivity and require relatively modest capital expenditure.
- The project is a mature operation and has well established environmental management systems in-place for ensuring environmental performance, compliance and improvement.

4.0 INFORMATION

References

BDA has undertaken a site visit to the Greenbushes lithium project in September 2009. Discussions have been held with technical and management staff on site and in Perth. Resources, reserves, mining, processing and waste disposal plans and environmental and social issues have been reviewed and discussed. The principal technical reports and documents reviewed are listed below:

Technical Documents

- Gwalia Consolidated, 1991 – Notice of Intent, Greenbushes Tantalum/Lithium Project, Greenbushes, Gwalia Consolidated, Western Australia, Internal Company Document
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- BFP Consultants Pty Limited 1999 – Report on Slope Stability Assessment for the Central Lode Project Greenbushes Mine, Internal Company Document
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- Purvis and Ward, Talison Minerals Pty Ltd, Greenbushes C3 Resource Model, Mine Geology, June 2009, Internal Company Report
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- Talison Minerals Pty Ltd, Lithium Plant Upgrade Post Project Report, June 2009, Internal Company Document
- Talison Minerals Pty Ltd, Greenbushes Lithium Operations Monthly Financial Reports, July 2007 to August 2009, Internal Company Documents
- Talison Minerals Pty Ltd, Financial Model, Copy of Talison Lithium v24.xls, November 2009
- Talison Minerals Pty Ltd and Others, a range of process development reports published between 1992 and June 2009

Tenements

Department of Mines and Petroleum – TENGRAPH Map display of Tenements dated 24 September 2009

Talison Minerals – Granted Tenements and Bonds Listing 16 September 2009

General Data

- Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004.

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5.0 LITHIUM PROJECT

5.1 Background

Location

Talison produces lithium mineral concentrates from its operations at Greenbushes approximately 250km south of Perth, at latitude 33° 52' S and longitude 116° 04' E and 90km east of the port of Bunbury, a major bulk handling port in the southwest of WA (Figure 1).

The lithium mining operation is in close proximity to the Greenbushes town site located in the Shire of Bridgetown-Greenbushes (population 4,200).

Greenbushes has a population of approximately 450 people and is serviced by the larger town of Bridgetown. It is connected to the regional centre of Bunbury by the South Western Highway.

About 55% of the tenements to be held by TLA, a wholly-owned subsidiary of Talison Lithium are covered by State Forest which is under the authority of the DEC. The majority of the remaining land is Private Land which covers about 40% of the surface rights. The remaining ground comprises Crown Land, Road Reserves and other miscellaneous reserves.

Access to the Greenbushes mine is via the sealed South Western Highway between Bunbury and Bridgetown to Greenbushes Township and via Maranup Ford Road to Greenbushes mine.

5.2 History and Ownership

Mining in the Greenbushes area has continued almost uninterrupted since tin was first discovered in 1886. Greenbushes is recognised as the longest continuously operated mine in WA.

Tin

Since it was first discovered in 1886 tin has been mined almost continuously in the Greenbushes area, although in more recent times lower tin prices and the emergence of lithium and tantalum as major revenue earners have relegated tin to the position of a by-product. Tin was first mined at Greenbushes by the Bunbury Tin Mining Co in 1888. However there was a gradual decline in tin production between 1914 and 1930. Vultan Mines carried out sluicing operations of the weathered tin oxides between 1935 and 1943, whilst between 1945 and 1956 modern earth moving equipment was introduced and tin dredging commenced. Greenbushes Tin NL was formed in 1964 and open cut mining of the softer oxidized rock commenced in 1969.

Tantalum

In the 1940s tantalum mining at Greenbushes started concurrently with advancements in electronics.

Tantalum hard rock operations commenced in 1992 with an ore processing capacity of 800,000tpa. By the late 1990s demand for tantalum reached all-time highs, and the existing high grade Cornwall Pit was nearing completion. In order to meet increasing demand a decision was made to expand the mill capacity to 4Mt/a and develop an underground mine to provide higher grade ore for blending with the lower grade ore from the Central Lode pits.

An underground operation was commenced at the base of the Cornwall Pit in April 2001 to access high-grade ore prior to the completion of the available open pit high-grade resource. In 2002 the tantalum market collapsed due to a slow-down in the electronics industry and subsequently the underground operation was placed on care and maintenance. The underground operation was restarted in 2004 due to increased demand but again placed on care and maintenance the following year. The lithium open pit operation has continued throughout recent times and mining is now focused on the Central Lode zone. Only lithium minerals are currently mined from the open pit with the tantalum mining operation and processing plants continuing on care and maintenance.

Lithium Minerals

The mining of lithium minerals is a relatively recent event in the history of mining at Greenbushes with Greenbushes Limited commencing production of lithium minerals in 1983 and commissioning a 30,000tpa lithium mineral concentrator two years later in 1984-1985. The lithium assets were acquired by Lithium Australia Ltd in 1987 and Sons of Gwalia in 1989. Plant capacity was increased to 100,000tpa of lithium concentrate in the early 1990s and to 150,000tpa of lithium concentrate by 1997 which included the capacity to produce a spodumene concentrate for the lithium chemical processor market.

Talison was incorporated in August 2007 for the purpose of acquiring the assets of the Advanced Minerals Division of Sons of Gwalia by a consortium of US private equity companies led by Resource Capital Fund. Talison is headquartered in Perth and its assets include the Wodgina tantalum mine located about 1,500km north of Perth and 120km south of Port Hedland in the Pilbara region of Western Australia as well as the Greenbushes mine.

TLA was formed in October 2009 and will hold the lithium mineral assets originally acquired by Talison. Lithium mineral production is from the large Greenbushes pegmatite which hosts the world's largest known resource of lithium minerals. While the overall lithium grade of the pegmatite (1.5% Li₂O) is marginally above the typical average of 1.0-1.3% Li₂O of other lithium-rich orebodies, the Greenbushes orebody contains large zones of spodumene-rich ore where the average resource grade more than doubles to 3.6% Li₂O. Typical ore grades fed to the processing plant are around 4.0% Li₂O.

There are two lithium processing plants that recover and upgrade the spodumene mineral using grinding, classification, gravity, flotation and magnetic processes into a range of products for bulk or bagged shipment. The lithium processing operations were upgraded in early 2009 to the current nominal production capacity of 600,000tpa of ore feed yielding approximately 260,000tpa of lithium concentrate. The lithium plant is currently operating at close to full production capacity. A summary of the last five years production of ore and concentrate is shown in Table 5.1.

Table 5.1: Recent Lithium Production History

Year Ending 30 June	Lithium Ore Mined kt	Lithium Concentrates kt	Total Lithium Production (kt LCE)
2005	367	146	21
2006	390	183	25
2007	390	271	37
2008	572	235	33
2009	507	209	31

Note kt = thousand tonnes; the 2007 lithium products includes sale of crushed ore

Project Status

The operation has a history of reliable production of lithium concentrates over more than twenty years. Talison Lithium's projections of future production levels include progressive increases in the demand for lithium concentrates. These increases are justified by market research which predicts continued growth in consumption of lithium, driven primarily by the lithium secondary (rechargeable) battery market which includes batteries for the developing electric and hybrid vehicle market.

There is potential to increase CG resources and reserves, whereas there appears to be limited potential to add further TG resources. Significant lithium mineralisation occurs adjacent to the designed C3 and C1 pits, including approximately 2Mt of Inferred Resources. In addition, approximately 7Mt of Indicated Resources of CG material lie adjacent to the planned pits. This material is currently sub-economic, but improvement in lithium prices, plant performance or operating costs could allow its development.

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Talison Lithium plans to increase production in line with an anticipated continuation of historical demand growth which has averaged 7% per annum over the period 1998-2008. Increases in production can be achieved through a series of simple modular low cost expansions, based on proven existing technology. There is further scope to increase production through technological improvements. The timing of each expansion is flexible and can be implemented at relatively short notice to meet market demand, providing Talison Lithium with significant production flexibility to meet growth in demand and to maintain market share.

Total capital expenditure in FY2009 was A\$12M most of which was used to upgrade and expand the TGP and the CGP.

6.0 GEOLOGY AND MINERALISATION

6.1 Regional Geology

The Greenbushes area is underlain by rocks of the Balingup Metamorphic Belt ("BMB"), which forms the southern portion of the Western Gneiss Province, one of four divisions of the Yilgarn Craton in WA (Figure 3). The BMB is bounded to the west by the Darling Fault and Phanerozoic rocks of the Perth Basin, to the south by the Proterozoic Albany-Fraser Mobile Belt, and to the east by the Hester Lineament. It extends as far north as the Loguebrook Granite, where it is truncated by intrusions of the Darling Range Batholith.

The Greenbushes pegmatites lie within a 15-20km wide, north to northwest trending lineament known as the Donnybrook-Bridgetown Shear Zone, characterised by sheared gneiss, orthogneiss, amphibolite and migmatite. A series of syn-tectonic granitoid intrusives occur within the BMB, elongated along the Donnybrook-Bridgetown Shear Zone.

The pegmatites have been dated at approximately 2,525 million years ("Ma"), and appear to have been intruded during shearing, thereby accounting for the fine grain size and internal deformation. However, the pegmatites have been affected by subsequent deformation and/or hydrothermal recrystallisation, the last episode dated at around 1,100Ma.

6.2 Local Geology

The Greenbushes deposit consists of a main, rare-metal zoned pegmatite body with numerous smaller pegmatite dykes and pods in the footwall to the main body. The pegmatites are concentrated within shear zones which form along the contact between granofels and amphibolite sequences. The pegmatite strikes in a north to northwesterly direction and dips moderately to steeply towards the west-southwest (Figure 4). Well developed mylonitic fabrics are developed, particularly along host rock contacts.

The mine sequence has been intruded by Proterozoic dolerite dykes and sills. The dykes trend east-west and vary in width from a few centimetres to tens of metres.

In general the hanging wall to the pegmatite bodies is composed of amphibolite (meta-basalt and sub-volcanic intrusive bodies) whereas the footwall is granofels dominantly of metasedimentary origin. The amphibolites and dolerites (generally referred to locally as "greenstones") contain occasional stringers and pods of sulphides such as pyrite, pyrrhotite and chalcopyrite. Arsenopyrite and arsenolamprite (native arsenic ("As")) are ubiquitous in some areas, particularly within granofels and amphibolite inliers in the main pegmatite. Some of the granofels is distinctly garnetiferous.

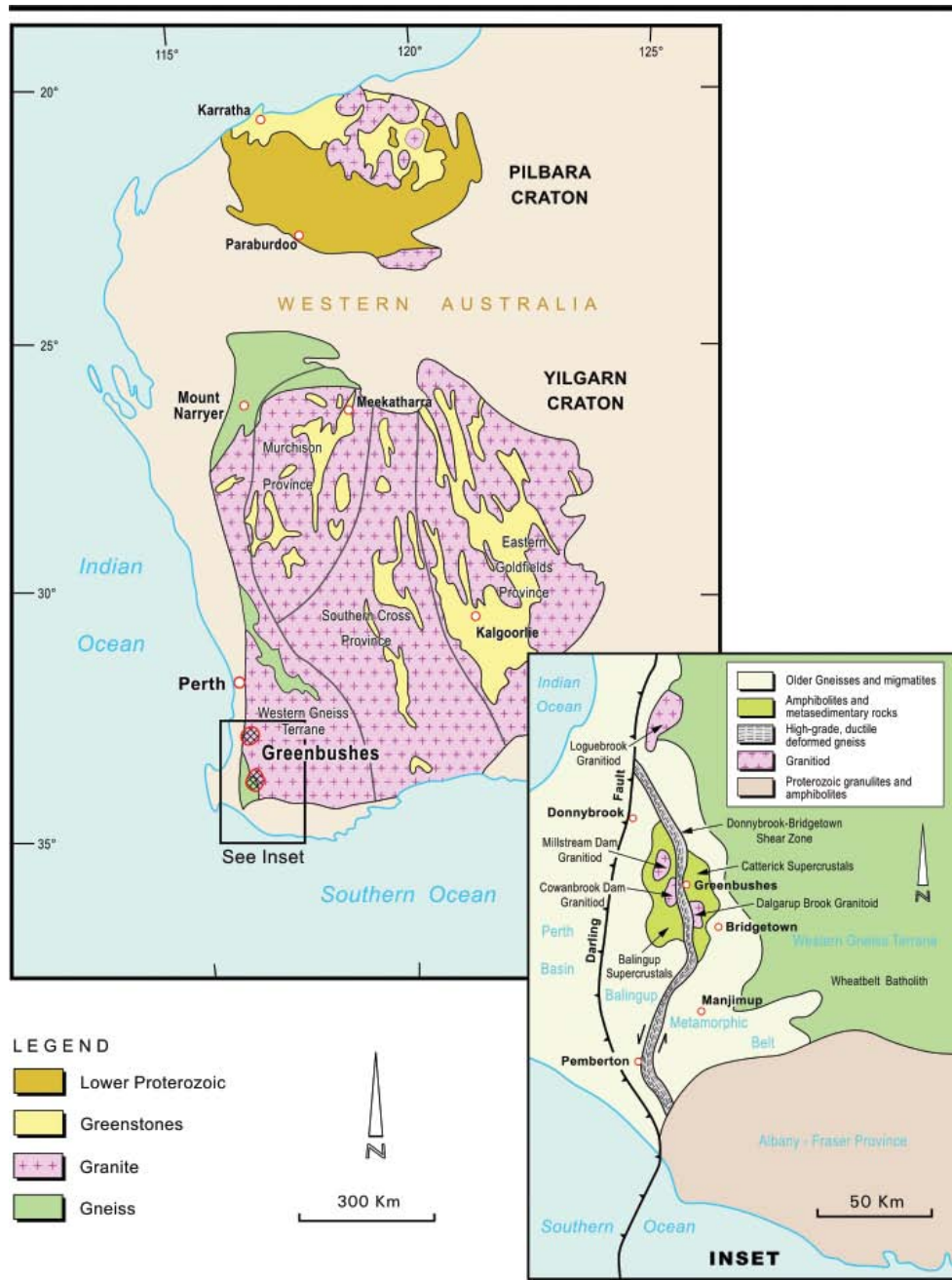
Weathering and erosion of the pegmatites has produced adjacent alluvial deposits in ancient drainage systems. These are generally enriched in cassiterite. All rocks have been extensively lateritised during Tertiary peneplain formation; the laterite profile locally reaches depths in excess of 40m below the original surface.

6.3 Pegmatite Zoning

The Greenbushes pegmatite is about 3km in length and up to 300m in width. The pegmatite is variably deformed with low-strain areas preserving primary igneous textures, and highly strained zones exhibiting re-crystallised and mylonitic fabrics.

The pegmatite bodies display mineralogical zoning, the zones being generally lenticular in nature and interfingering along strike and down dip. The primary ore minerals are found in specific mineral assemblages displaying complex mineralogical zoning. The Lithium or Spodumene Zone is enriched in spodumene, a lithium aluminium silicate. Tantalite and cassiterite mineralisation are concentrated in the Sodium or Albite Zone, characterised by albite (Na-plagioclase), tourmaline and muscovite. A third zone, of lesser commercial importance, contains concentrations of the potassium feldspar microcline. Other accessory minerals present in the pegmatite are phosphates such as apatite, minor beryl and garnet.

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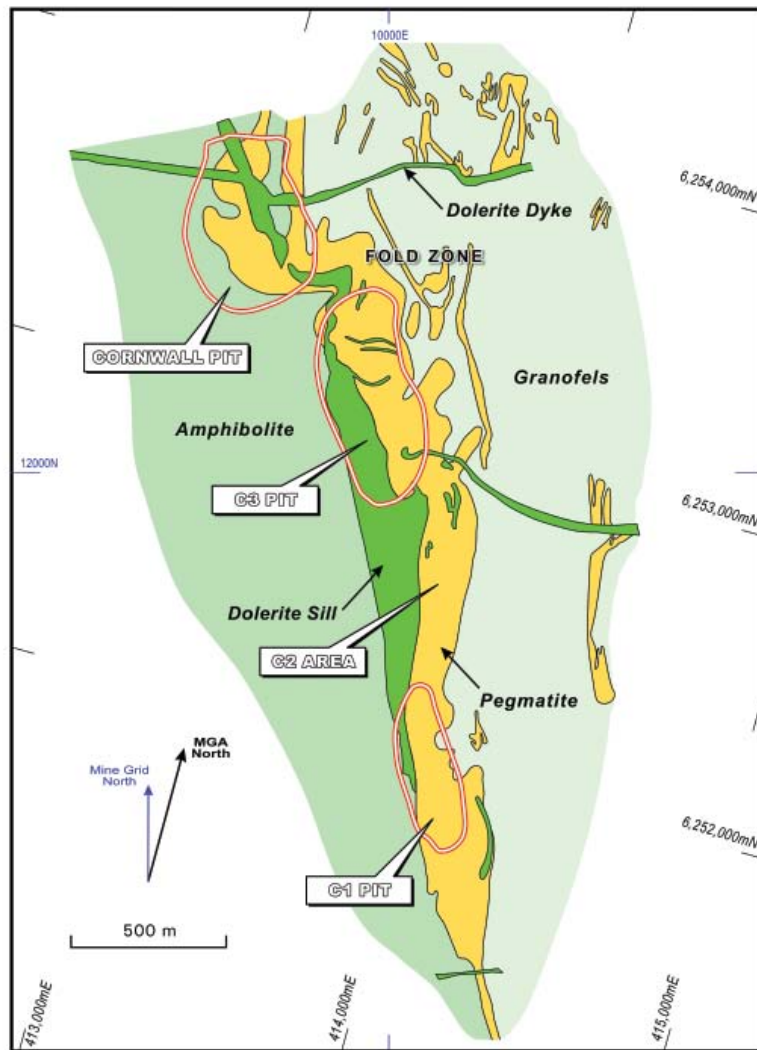


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**Greenbushes Lithium Operations
 Regional Geology**

Figure 3

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Talison Lithium Limited Greenbushes Lithium Operations Mine Geology

Figure 4

Behre Dolbear Australia

6.4 Deposit Type and Origin

The Greenbushes lithium deposits belong to the Spodumene sub-class of the Lithium-Caesium-Tantalum pegmatite deposit class. The pegmatites are hosted in a major regional structure and represent a late stage product of cooling granite magma. Early crystallisation of the pegmatite formed albite-tourmaline zones, followed by albite, cassiterite and tantalite crystallisation. Spodumene-quartz assemblages crystallised at slightly lower temperatures, followed by formation of a potassium feldspar-rich zone in the hanging wall.

The Greenbushes pegmatites are considered to be Archaean in age (approximately 2,560 Ma), intruded along the Donnybrook-Bridgetown Shear, coeval with a second regional phase of deformation with pressures of approximately 5 kilobars ("kb") and temperatures greater than 870°C.

Lithium-rich zones are spatially related to tantalite-bearing zones which have been mined and processed in the recent past. In places the pegmatite may contain economically recoverable levels of both lithium and tantalum, although more typically lithium ore is low in tantalum (<100 parts per million ("ppm") Ta₂O₅).

The Greenbushes pegmatite is distinguished from many other rare-metal pegmatites by:

- not being symmetrically or truly asymmetrically zoned and not having a quartz core
- having no indication of a parental granitoid at depth or in close proximity
- being formed at higher pressure/temperature, under synkinematic formation.

6.5 Deposit Geometry

The Greenbushes pegmatite deposits extend over a strike length of 3km north-south, and have been sub-divided for practical purposes into four sectors representing past and present open pit operations, known as (from north to south) the Cornwall (tantalum only), C3, C2 and C1 pits (Figure 4).

The C3 Pit contains the main lithium deposit and occurs in the upper part of a large (250m wide) lithium-enriched pegmatite. The ore body is about 600m long and up to 100m wide, dipping at 30-80° to the west or southwest. At the northern end of the ore body a highly felspathic (K-feldspar) zone separates the high-grade lithium zone from the hanging wall amphibolites and a dolerite sill. Tantalum/tin and lithium ore body mineralisation are conformable with the trends of the pegmatites both along strike and down dip.

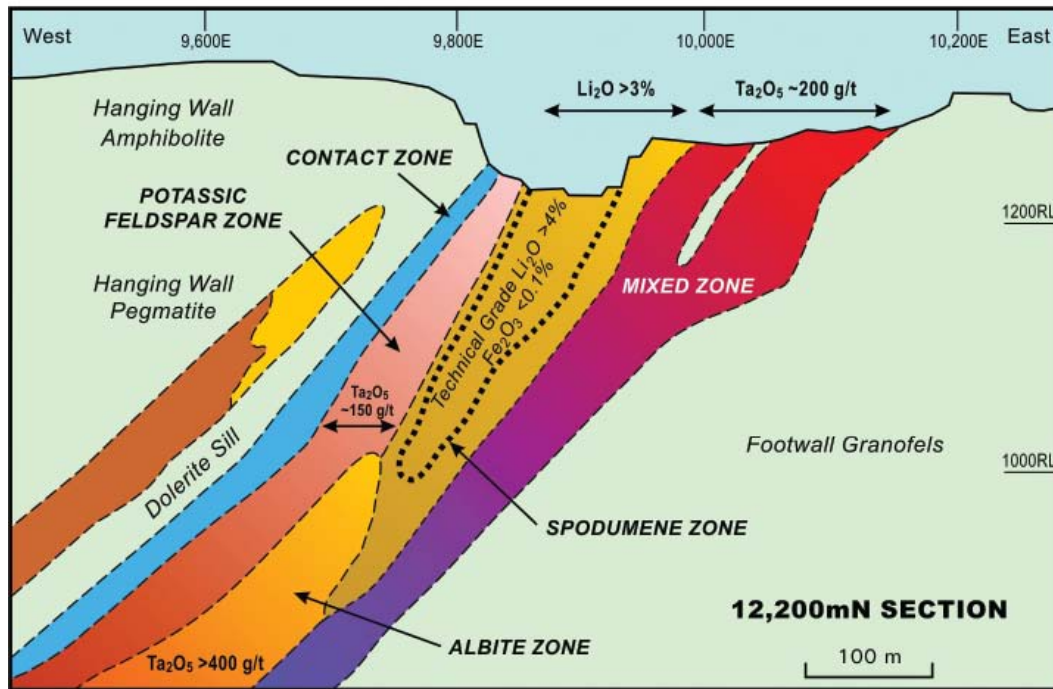
The C1 area contains a second lithium deposit, some 500m long by 150m wide and dipping moderately to the west. The C2 area lies between C1 and C3. Limited mining has been undertaken in this part of the lithium-bearing pegmatite which extends for about 600m, varies in width up to about 30m and dips moderately to the west.

6.6 Structure and Mineralisation

The pegmatite body strikes north to northwesterly and dips moderately (45-50°) to steeply (70-80°) to the west-southwest. The high-grade lodes within the main pegmatite body also exhibit variable dips from 30-80° towards the west-southwest.

Shear structures observed in the pegmatites are most strongly developed at pegmatite margins and within albite rich zones. Foliation fabrics of variable intensity have developed within the pegmatite as a result of this shearing. Host rock greenstones also exhibit foliation fabrics, which are generally conformable to layering observed within the pegmatites. The orientations of shear fabrics are sub-parallel to the regional Donnybrook – Bridgetown Shear Zone.

Internally, the Greenbushes pegmatite consists of five mineralogically defined zones: the Contact Zone, K-feldspar (Potassium) Zone, Albite (Sodium) Zone, Mixed Zone and Spodumene (Lithium) Zone. These are shown schematically in Figure 5.



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**Greenbushes Lithium Operations
Cross Section - C3 Pit Area**

Figure 5

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The zones occur as a series of thick layers commonly with a lithium zone on the hanging wall or footwall, K-feldspar towards the hanging wall and a number of central albite zones. High-grade tantalum mineralisation (>420ppm) is generally confined to the Albite Zone, whereas the Spodumene and K-feldspar Zones generally have tantalum-tin grades below the open-cut cut-off grades.

6.7 Mineralogy

Major minerals and approximate abundances in the Greenbushes pegmatite are quartz 28%, spodumene 26%, albite 23%, K-feldspar 20%, tourmaline 1%, mica 1% and apatite 0.5%.

The main lithium minerals are spodumene (approximately 8% Li₂O) and varieties kunzite and hiddenite. Minor to trace minerals include lepidolite mica, and amblygonite and lithiophilite (phosphates). The iron-bearing species hiddenite appears to increase towards the south of the deposit, with the C1 area having the highest proportions. Lithium is strongly leached in the weathering environment and is virtually non-existent in weathered pegmatite. Lithium grade decreases towards the footwall of the high-grade Lithium Zone.

The higher lithium grade ore generally consists of 50% quartz and 50% spodumene, having a Li₂O grade of around 4%.

6.8 Exploration

Exploration in the Greenbushes district dates back to the 19th century with the discovery of cassiterite in 1886. Early production came from alluvial deposits of tin and tantalite, and spodumene was not identified until 1949.

The extent of the pegmatite outcrop was masked by laterite cap rock and alluvium. Development of tantalum markets stimulated exploration and mining of the pegmatite, leading to identification of a complexly zoned body enriched in tin, tantalum and lithium. Modern exploration relevant to the current lithium operations and resources has been undertaken since the mid-1980s. A number of operators have been involved, including Talison, Sons of Gwalia, Gwalia Consolidated, Lithium Australia and Greenbushes Limited.

The primary target for exploration since the 1970s has been extensions of the tantalum mineralisation, with the lithium-rich zones being defined and extended during this work. Resource development for the two commodities often occurred within the same mining area. A major review of previous exploration data in 2004 was followed by detailed mapping of the pegmatite structure and completion of airborne magnetic and radiometric surveys over the lease areas. This work has provided the basis for subsequent exploration programmes at Greenbushes. A geochemical model built from surface and drill hole analyses produced indices showing magmatic fractionation trends guiding exploration to the most prospective targets.

While surface exploration has proved useful in locating pegmatite bodies, weathering and associated leaching means that economic lithium mineralisation does not occur at surface. Consequently, diamond and RC percussion drilling have been the primary tools in developing the lithium resources.

Several exploration and resource development opportunities are available to extend and upgrade lithium resources in the currently defined pegmatite structure. The primary targets for drill testing are within the current C1 and C3 mining areas, in the C2 area north of C1, and in currently unresolved complicated structural environments west of C1 and south of C3. Programmes to test these areas are estimated by Talison to require 13,000m of RC and diamond drilling at an estimated cost of A\$1.7M.

Conclusions

The geology and mineralisation controls at Greenbushes are well understood, based on a long history of mining. While the Greenbushes pegmatite body is open at depth and incompletely tested between the known deposits, there would appear to be limited exploration potential in the remainder of the district.

7.0 GEOLOGICAL DATA

BDA has not undertaken an audit of the geological data as part of this review. The following information is based on a site visit, discussions with Talison staff, a review of quality control and quality assurance (“QA/QC”) data and consideration of sampling and assaying processes and procedures.

7.1 Drilling

Sample information is derived from a mixture of diamond drilling and RC percussion drilling dating back over more than 30 years, although a large part of the drilling used to define lithium (as opposed to tantalum) resources has taken place since 2000. Not surprisingly, drilling and sampling records, practices and procedures have varied over time, and there is a higher level of information available in the database for the more recent work.

For the most part, resource definition holes have been drilled along sections approximately normal to the strike of the mineralised zone and typically 50m apart, or locally down to 25m. Drill patterns in recent programmes have been less regular due to mining activities which restrict access to sectional drill sites. Holes generally have been collared in the hanging wall, and drilled vertically or to the east.

A total of 562 surface drill holes totalling 85,628m of drilling are contained in the Greenbushes database, and are used to define the lithium resources and enclosing pegmatite. These are made up of 298 diamond holes (53,526m) and 264 RC holes (32,102m). A further 229 underground resource holes are in the database, targeting high-grade underground tantalum mineralisation.

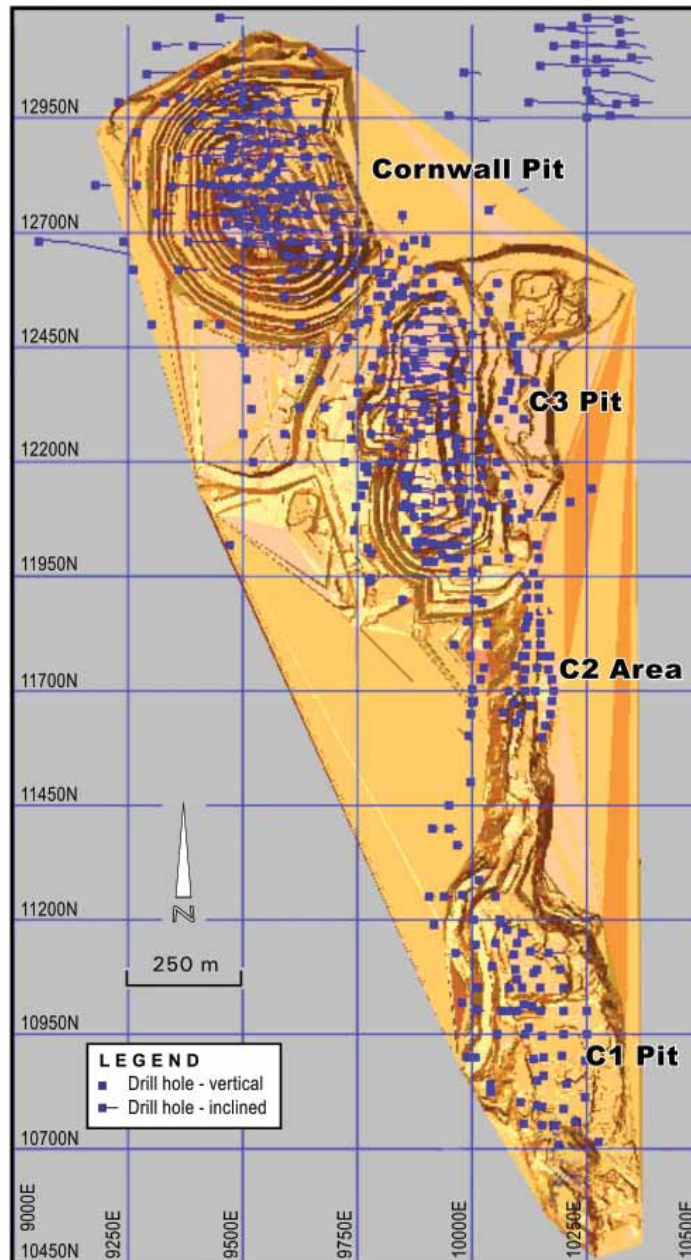
A summary of drill holes in the Greenbushes database and used for lithium resource estimation is provided in Table 7.1, and drill hole collar locations are shown in Figure 6.

Table 7.1: Drill Holes Available for Resource Modelling

Year	Series	RC Holes	RC Metres	Series	DD Holes	DD Metres
1977-80				HP	31	7,885
1981				HP, JM	44	10,510
1982				HP, JM	30	4,539
1984				HP	12	1,463
1985				HP	11	1,410
1988				LD	2	370
1990				HP	5	756
1991				HP, NE, BG, KF, TC, GW	59	6,794
1993				HP	11	924
1994				GT	4	653
1996				HP, NC, NE	40	5,972
1997	RC	90	7,972	HP	8	790
1998	RC	9	1,549			
1999	RC	13	2,378	HP, GT	15	6,521
2000	RC	10	762			
2001	RC	7	1,044	HP, VT	13	1,666
2002	RC	40	5,199	HP	5	1,605
2004	RC	9	650			
2005	RC	11	976			
2006	RC	49	6,412			
2007	RC	15	3,234			
2008	RC	11	1,926	C1DD, C3DD	8	1,668
Totals		264	32,102		298	53,526

Note: excludes underground drill holes

The most recent RC drilling was undertaken for Talison on the C3 resource in 2008. The programme tested the lithium resource distribution in the southern part of C3 pit, including further extensions in a structurally complex area south of C3 and into the northern part of C2. The work was completed by Strange Drilling using an SD2100 rig with 800 pounds per square inch ("psi") and 1,250 cubic feet per minute ("cfm") air on board, supported by an auxiliary pack of 350psi/1250cfm capacity. A 5.25 inch diameter hole was drilled using a face-sampling hammer. A total of 11 holes were completed for 1,926m, the deepest hole being 330m. A further three holes (246m) were pre-collared for diamond drilling. Samples from the RC drilling were collected every metre through a face-sampling hammer, cyclone and rotary splitter system. Talison reports that limited groundwater exists and the RC samples are typically dry, with high recoveries observed.



Talison Lithium Limited

Greenbushes Lithium Operations
Drill Hole Location Plan

Figure 6

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Recent diamond drilling was undertaken by OME Drilling Pty Limited in 2008 to improve definition of the C3 resource and to provide samples for metallurgical testwork directed at upgrading the processing circuits. Four holes were completed for 999m (excluding pre-collars), the deepest hole being 332.4m. A KL1200 drill rig was employed, drilling NQ2 diameter holes. Drill records indicate that surface diamond holes were almost invariably NQ size. Core recovery in fresh pegmatite was very high, typically ranging from 95-100% and averaging 99%.

7.2 Survey

Drill holes contained in the Greenbushes database date back to 1977 and, as expected, many of the early holes have been surveyed using different methods to those typically used at Greenbushes today. Most recent (post-2000) down hole surveys have employed Eastman Single Shot cameras, while the last RC programmes (since hole RC214) utilised either a gyroscopic or a Reflex electronic tool. Eastman down-hole surveys were recorded at 25m down-hole, and thereafter every 30m to a minimum of 10m from the final depth. Some of the RC holes drilled before 2000 and some of the older vertical diamond holes were not down-hole surveyed, and were given design parameters in the database; this is not generally an issue if the hole is short and remains relatively vertical.

Collar surveys also vary in survey method with time. For the more recent RC and diamond drilling programmes, drill collars (northing, easting and elevation) of completed holes were surveyed by the Greenbushes survey department and imported into the database.

The drill hole surveys were also subjected to a “looks right” test where collar locations were checked on the collar plots and on the ground to confirm the coordinates in the database.

7.3 Logging

All holes in the Greenbushes database have been logged geologically, although the level of detail has varied over time. For recent diamond drill programs, cores are logged for lithological, mineralogical and geotechnical data. The core is re-assembled and re-oriented in the trays, and marked up for logging and assay based on lithological and mineralogical variations. The core is also digitally photographed and geotechnical defect logs are completed for selected orientated holes. Prior to 2001, geological logs are fairly comprehensive, but geotechnical logs are generally lacking.

RC cuttings are geologically logged on site. A Talison geologist reviews the piles of cutting rejects while undertaking geological logging, and intervals with poor recoveries are recorded. Talison reports that the drill samples are almost invariably dry, and that recoveries are high.

7.4 Sampling and Sample Preparation

Diamond core is collected in aluminium trays marked with hole identification and down hole depths at the end of each core run. Pegmatite zones are identified by the geologist, and intervals are marked up for cutting and sampling. A line of symmetry is drawn on the core and the core is cut in half by diamond saw. One half of the core is bagged and numbered for submission to the laboratory while the other is returned to the core tray. The typical core sampling interval is 1m, but shorter intervals are sampled where required, to honour geological boundaries.

RC samples are collected every metre via a cyclone attached to the rig and split at the rig using either a riffle splitter or rotating cone splitter to produce a sample of approximately 3-4 kilogram (“kg”) for submission to the laboratory. In some old RC holes the regular sampling length was 2m. For RC drilling post-2000, two splits have been taken from each pegmatite interval, one for analysis and the second for storage as a reference. A third sample is collected every 20m and submitted to the laboratory for QA/QC purposes.

All sample preparation and analytical work is undertaken at Talison’s Greenbushes on-site laboratory, which is ISO9002 compliant. The laboratory also services process plant samples and samples from shipping products.

Upon submission to the laboratory, samples are entered into the laboratory sample tracking system and issued with an analytical work order and report ("AWOR") number. Separate procedures have been developed for RC and diamond drill samples.

7.5 Assaying

As far as can be determined, all assaying of drill samples has been by X-Ray Fluorescence ("XRF") and Atomic Absorption Spectroscopy ("AAS"). The majority of assays have been analysed for 36 elements at the Greenbushes laboratory. Sodium peroxide dissolution and AAS is utilised for Li₂O determination, whereas the other elements/oxides are analysed by XRF following fusion with lithium metaborate.

Table 7.2 summarises the Greenbushes database with respect to assays. In some older holes in the database not all samples were analysed for all 36 XRF elements. This introduces some issues requiring management in the determination of lithium ore types in the resource block modelling process described in Section 8.

Table 7.2: Assay Laboratory and Elements

Assay Type	Comments	Laboratory	Elements
XRF	Ta assaying. Full suite. Most recent drilling.	Greenbushes	Na ₂ O, MgO, Al ₂ O ₃ , SiO ₂ , P ₂ O ₅ , SO ₃ , K ₂ O, CaO, TiO ₂ , V ₂ O ₅ , Cr ₂ O ₃ , MnO, Fe ₂ O ₃ , CoO, NiO, CuO, ZnO, As ₂ O ₃ , Rb ₂ O, SrO, Y ₂ O ₃ , ZrO ₂ , Nb ₂ O ₅ , SnO ₂ , Sb ₂ O ₃ , Cs ₂ O, BaO, La ₂ O ₃ , CeO ₂ , HfO ₂ , Ta ₂ O ₅ , WO ₃ , PbO, Bi ₂ O ₃ , ThO ₂ , U ₃ O ₈ .
XRF	Ta assaying. Partially reported suite. Older holes.	Greenbushes	Na ₂ O, MgO, Al ₂ O ₃ , K ₂ O, CaO, TiO ₂ , Fe ₂ O ₃ , As ₂ O ₃ , Nb ₂ O ₅ , SnO ₂ , Sb ₂ O ₃ , Ta ₂ O ₅ . (Reported)
XRF	Ta assaying. Partial suite. Some recent u/g. drilling.	Ultra Trace	Na ₂ O, MgO, Al ₂ O ₃ , SiO ₂ , P ₂ O ₅ , SO ₃ , K ₂ O, CaO, TiO ₂ , MnO, Fe ₂ O ₃ , As ₂ O ₃ , Rb ₂ O, SrO, Y ₂ O ₃ , ZrO ₂ , Nb ₂ O ₅ , SnO ₂ , Sb ₂ O ₃ , BaO, Ta ₂ O ₅ , PbO, Bi ₂ O ₃ , ThO ₂ , U ₃ O ₈ .
AAS	Li assaying. Most drilling.	Greenbushes	Li ₂ O
ICP	Li assaying. Some recent u/g.	Ultra Trace	Li ₂ O

Note: "Ultra Trace" = Ultra Trace Pty Limited ; "Na₂O" = sodium oxide, "MgO" = magnesium oxide, "Al₂O₃" = aluminium oxide, "SiO₂" = silicon oxide, "P₂O₅" = phosphorus oxide, "SO₃" = sulphur trioxide, "K₂O" = potassium oxide, "CaO" = calcium oxide, "TiO₂" = titanium oxide, "V₂O₅" = vanadium oxide, "Cr₂O₃" = chromium oxide, "MnO" = manganese oxide, "CoO" = cobalt oxide, "NiO" = nickel oxide, "CuO" = copper oxide, "ZnO" = zinc oxide, "As₂O₃" = arsenic oxide, "Rb₂O" = rubidium oxide, "SrO" = strontium oxide, "Y₂O₃" = Yttrium oxide, "ZrO₂" = zircon oxide, "Nb₂O₅" = niobium oxide, "SnO₂" = tin oxide, "Sb₂O₃" = antimony oxide, "Cs₂O" = caesium oxide, "BaO" = barium oxide, "La₂O₃" = lanthanum oxide, "CeO₂" = cerium oxide, "HfO₂" = Hafnium oxide, "Ta₂O₅" = tantalum oxide, "WO₃" = tungsten oxide, "PbO" = lead oxide, "Bi₂O₃" = bismuth oxide, "ThO₂" = thorium oxide, "U₃O₈" = uranium oxide

BDA has visited the Greenbushes laboratory and discussed the sample preparation and analytical process with the Chief Chemist. The laboratory equipment appears well-maintained and the working spaces clear and tidy. Analytical methods and laboratory practices are in accordance with industry standards.

BDA considers that current sample preparation, security and analytical procedures are adequate for the purpose of resource estimation, grade control and reconciliation.

7.6 Database Quality and QA/QC

QA/QC systems at Greenbushes have developed over time and therefore vary for the dataset used for resource estimation. Current drilling practice involves collection of a duplicate field sample for every 20 RC samples submitted. Since January 2007 this has been recorded in the master acQuire Technology Solutions Pty Limited ("acQuire") database software and QA/QC reports are generated for each drill program. The site laboratory also utilises a system of replicate analysis of samples and analysis of standards, along with each batch of drill samples, the results of which are also now captured in the master database.

BDA has reviewed the quality of the database, as described in the following sub-sections. A site visit was made in September 2009, during which the laboratory was inspected. As no RC or diamond drilling was in progress, it was not possible to review drilling practices.

Assay Quality

Talison and previous operator QA/QC systems have relied partly upon the Greenbushes laboratory's internal quality systems, which include replicate (pulp repeat) laboratory analyses, analysis of known standards by XRF, and round-robin interaction with other laboratories. It should be noted that Li_2O in drill samples is not analysed in replicate; instead, the AAS machine is recalibrated before every batch of samples. Known solution standards and blanks are embedded in each batch and the accuracy of the calibration is monitored regularly during the analysis of each batch. The laboratory monitors precision of the AAS method using duplicate plant processing and concentrates shipping analyses. While these samples are typically of higher Li_2O grade than the average drill sample, ranging up to 8% Li_2O , the resulting precision calculated by BDA of 3.6% is high and confirms the quality of the AAS method employed.

Duplicate field sample analyses exist for RC drill holes but not diamond core samples. No routine analysis of duplicate coarse reject or pulp samples is undertaken.

BDA reviewed QA/QC data made available by Talison and observed the following:

- **Laboratory Standards:** not available for Li_2O . Analyses are generally acceptable, although results for Na_2O in two standards with high Na_2O values and for one P_2O_5 standard were consistently above the error line.
- **Blanks:** no blank samples are run to monitor potential contamination. However, Talison's sample preparation procedures require that a preliminary charge of the relevant sample reject be run to clean the mill prior to grinding the test sample, which should greatly reduce the potential for contamination.
- **RC Field Duplicates:** precision varies from moderate for Li_2O , Na_2O and MnO , to poor for the other elements and oxides of interest, once a small number of obvious outliers were removed from the database. A slight bias was observed between the original and duplicate samples, with the duplicates being positively biased for the elements/oxides of interest. There is no obvious explanation for this bias.
- **Blast Hole Duplicates:** samples are collected as grabs from cuttings at drill collars, each sample representing a 5m interval. There is moderate precision for Li_2O and MnO pairs, with poorer precision calculated for the other elements/oxides of interest.
- **Laboratory Replicates:** laboratory replicates are restricted to XRF analyses, ie. Li_2O results are not included. Bias has disappeared, and precision is good.
- **Analytical Precision:** analytical precision of better than 5% is indicated for Li_2O , based on repeat analyses of plant and shipping products.

BDA considers that the precision observed for field duplicate samples from both percussion drilling methods is acceptable for Li_2O , Na_2O and MnO once a small number of poorly matched sample pairs are removed from the database. Precision is poor for CaO and P_2O_5 , which are minor contributors to the formula used to estimate iron content, and it is recommended that Talison reviews sampling practices at the drill rigs to identify whether these methods can be improved in a cost-effective manner. Improvement in the quality of analyses is important, not only for Li_2O , but also for the other elements/oxides used to define TG ore.

It is recommended that QA/QC practices be expanded to include insertion with routine drilling samples of blind standards, duplicate crusher and pulp samples, and the introduction of laboratory pulp replicate data for Li_2O . Formal reporting of QA/QC results on a monthly basis is also recommended.

Survey

Visual validation of collar plots and drill sections has been undertaken. In addition, Talison routinely checks the location and orientation of drill collars in the field during drilling. All drill hole collars and drill traces are considered by Talison to be correctly represented in the database. In recent drilling programmes drill collar locations and hole orientations have been less consistent with the normal sectional patterns due to drill site access difficulties around the existing pits. Consequently, it is not possible to confirm the survey information by simple visual inspection of plans and sections. Nevertheless, the drill data appears to be consistently and logically distributed, and BDA considers that the survey integrity is adequate for resource estimation purposes.

Density

Past and current resource and reserve modelling utilises historic bulk densities for the major unweathered rock types as follows: pegmatite 2.64 tonnes per cubic metre (t/m^3); granofels and amphibolite 2.90t/m^3 ; and dolerite 3.1t/m^3 . Surveys of bulk material movements from the pits over time have supported the bulk densities used in the resource modelling. Recent analysis of 90 samples collected during underground mining have produced bulk densities for fresh rock which support the historic values.

Oxide material is much more variable and difficult to measure, due to the irregular degree of weathering within the upper levels of the deposit. The oxide material has been assigned a bulk density of 1.8t/m^3 , which is supported by mining records.

Although up to 1m of laterite remains at the surface across the Greenbushes deposit area, bulk densities have not been modified for this material because it comprises a very small proportion of the profile.

Database Integrity

A random sample of approximately 6% of the drill assays in the database (excluding underground holes) was compared against laboratory reports by BDA to confirm assay database integrity. This comparison identified a discrepancy between available hardcopy records and the database for part or all the assays from a small number of diamond holes drilled in the C3 area, although the differences are small in absolute terms. Talison believes it is likely that this is the result of resampling and reassaying of the core, and that the results in the database are valid.

Conclusions

BDA has reviewed the database, and supporting QA/QC data, and concludes that:

- *the survey and geological data is of adequate quality*
- *although there is limited data available, proposed in situ density values are supported by historic mining data*
- *moderate to poor precision for RC and blast hole drill samples makes accurate distinction between TG and CG materials more difficult during both resource modelling and mining, and efforts should be made to improve data quality*
- *an unexplained bias exists between original and duplicate RC samples*
- *sampling and QA/QC procedures should be reassessed and upgraded, and QA/QC results rigorously assessed on a monthly basis.*

Despite some concerns regarding assay quality, and the limited information available for earlier exploration drilling, BDA considers that the historical agreement between resource, grade control and mill grades as discussed in Section 9 provides significant support to data quality. Consequently, the database is considered adequate for estimation of Mineral Resources and Ore Reserves under the JORC Code.

8.0 MINERAL RESOURCE AND ORE RESERVE ESTIMATION

8.1 Geological Modelling

The Greenbushes lithium resources have been modelled by QG in two stages. The first, in 2007, was a global resource model covering all three resource areas (C3, C2 and C1), and the second in 2009, being an updated and refined model of resources in the C3 area above 1100mRL, following infill drilling, in order to distinguish between TG and CG ore types. The methodologies adopted for both estimates were broadly similar, but the description below relates specifically to the 2009 model.

The Importance of Iron and the BAD Calculation

Control of iron content is critical to meeting tight product specifications for TG ore, which has an upper limit of 0.1% Fe₂O₃. Magnetic sources of iron (tramp iron from milling and mining equipment and some high iron mineral species) can be removed during processing, whereas this is not possible for iron occurring within the spodumene mineral lattice. Mineralogical investigation has shown that variable quantities of iron occur within the spodumene lattice, and, thus, it is important that areas of low-iron spodumene are identified within the ore body.

The majority of drilling data available is unsuitable for use in directly estimating Fe₂O₃ grades, since RC drilling techniques and conventional sample preparation lead to Fe₂O₃ contamination. However, based on metallurgical testwork and historical plant production data, Talison has developed an equation which determines a proxy for Fe₂O₃ content, known colloquially as the BAD formula after the metallurgist responsible for its development. The formula is:

$$\text{Fe}_2\text{O}_3 \text{ proxy (BAD)} = 0.0145 + (0.782 \cdot \text{MnO}) - (0.045 \cdot \text{CaO}) + (0.012 \cdot \text{P}_2\text{O}_5) + (0.0756 \cdot \text{Na}_2\text{O}) + (0.00378 \cdot \text{Li}_2\text{O}).$$

Based on drill hole assays, the variables which contribute the largest average amount to the BAD factor are Na₂O (45%) and MnO (28%), followed by Li₂O (10%), CaO (5%) and P₂O₅ (1%).

The BAD formula is an empirical relationship between head grade sampling and mill performance, derived from many years of production history. The support that the BAD formula has been derived from is a "milled volume" based on the time period over which head grade has been calculated. Calculations of BAD values from drill hole composite data show that approximately 45% of sample intervals in the Lithium Zone have a BAD value of <0.1% Fe₂O₃. However, for the 2007 resource model at block scale, less than 10% of blocks in the Lithium Zone have a BAD value <0.1% Fe₂O₃. This effect is most likely due to the different support (volume) of composites compared to estimation blocks.

The BAD value is of great importance to resource and reserve calculation, as it is currently used to define TG lithium ore. A major focus of the 2009 estimate, therefore, was to attempt to improve the accuracy of the resource model BAD value, through development of a domain to control estimation of Na₂O and other component variables in the BAD formula.

Further investigation of the derivation of the BAD formula, and its relationship to drill sample support size, is recommended.

Geological and Estimation Domains

The resource estimates have been based on geological domains which have been defined on cross-section and in three dimensions ("3-D") by Talison to produce wireframes for resource estimation.

The wireframes distinguish between lithium domains based on a cut-off value of 2.8% Li₂O and broad pegmatite domains determined from lithological logging. The following domains were interpreted:

- Pegmatite, main zone ("Main Pegmatite" or "Peg_Main")
- Pegmatite, hanging wall zone ("Hangingwall Pegmatite" or "Peg_HW")
- Lithium, main zone ("Main Lithium" or "Lith_Main")
- Lithium, hanging wall zone ("Hangingwall Lithium" or "Lith_HW")
- Low sodium ("Low Sodium" domain).

The Low Sodium domain was not used in the 2007 model. Wireframes were developed using approximately a 0.5% Na₂O threshold. However, the contacts are seldom clear-cut, with many narrow splays present within

individual drill-holes, so a series of grade shells at different probabilities were created from a 0.5% Na₂O indicator estimate to guide interpretation of a core zone, within which there was relatively high confidence that the Na₂O grade is consistently less than 0.5%.

Overall, the Low Sodium domain interpretation strongly differentiates between higher and lower Na₂O grades, and also provides strong differentiation for all of the variables used in the calculation of the BAD value (Table 8.1). Cross-boundary plots show a pronounced change in average grade behaviour across the interpreted contact for Na₂O, Li₂O and P₂O₅, and a weaker change for MnO and CaO.

Table 8.1: Mean Grade of BAD Variables Inside and Outside the Low Sodium Wireframe.

	Li ₂ O%		CaO%		Na ₂ O%		MnO%		P ₂ O ₅ %	
	Count	Mean	Count	Mean	Count	Mean	Count	Mean	Count	Mean
High Sodium	1182	3.48	1120	0.23	728	1.34	1063	0.063	1219	0.189
Low Sodium	441	4.32	414	0.11	160	0.34	336	0.047	444	0.095

Confidence in the Low Sodium domain is reduced down-plunge, where a number of narrower ‘fingers’ remain in the interpretation. Figure 7 shows the location of the Low Sodium domain in relation to the Main Pegmatite domain and the two lithium domains beneath the C3 pit.

A number of dolerite dykes, ranging in width from a few centimetres to a few metres, cross-cut the pegmatite. Lithium values in these dykes are relatively low, and dyke material is separated from lithium pegmatite during mining to avoid contamination of the final lithium products. Dykes were identified by their distinctive chemistry and from drill logs, and the intervals flagged and excluded from compositing and grade estimation. Volumetrically the dykes form an insignificant proportion of the total pegmatite volume, and they have not been wireframed. Ignoring the volume of dyke material will very slightly overstate the tonnage of lithium resources, but will not have a material impact on reported resources and reserves.

8.2 Resource Modelling Methodology and Estimation Procedures

Block Model

Talison developed a geological block model of the C3 deposit in Gemcom Surpac Software Company (“Surpac”) software in order to code the volumes within the solids/wireframes created for estimation. The dimensions of the C3 block model are given in Table 8.2. An export of the model in ASCII file format was delivered to QG, and was loaded into Isatis software. Domain wireframes and a topographic surface were provided.

Table 8.2: C3 Block Model Limits

Item	Minimum	Maximum	Parent cell dimension (m)	Minimum sub-block dimension (m)
Easting	9500	10300	20	5
Northing	11800	12700	20	5
RL	1100	1400	5	5

Composite Files

The 2009 estimate used a separate composite file for each of nine variables (Li₂O, Na₂O, K₂O, CaO, MnO, MgO, Fe₂O₃, Ta₂O₅ and Sn) within each of four domains (Main Pegmatite, Hangingwall Pegmatite, Main Lithium, Hangingwall Lithium) for a total of 36 files. Each file was imported as a separate file into Isatis software.

A composite length of 5m was adopted (as used in the 2007 estimate). This was considered to be a reasonable composite length in relation to the geometry of the domains, block size and bench height.

The base of the model was set at 1100mRL. The character of the Main Lithium domain changes substantially at approximately 1000mRL, consequently, only data from above 1000mRL was used in variography and grade estimation.

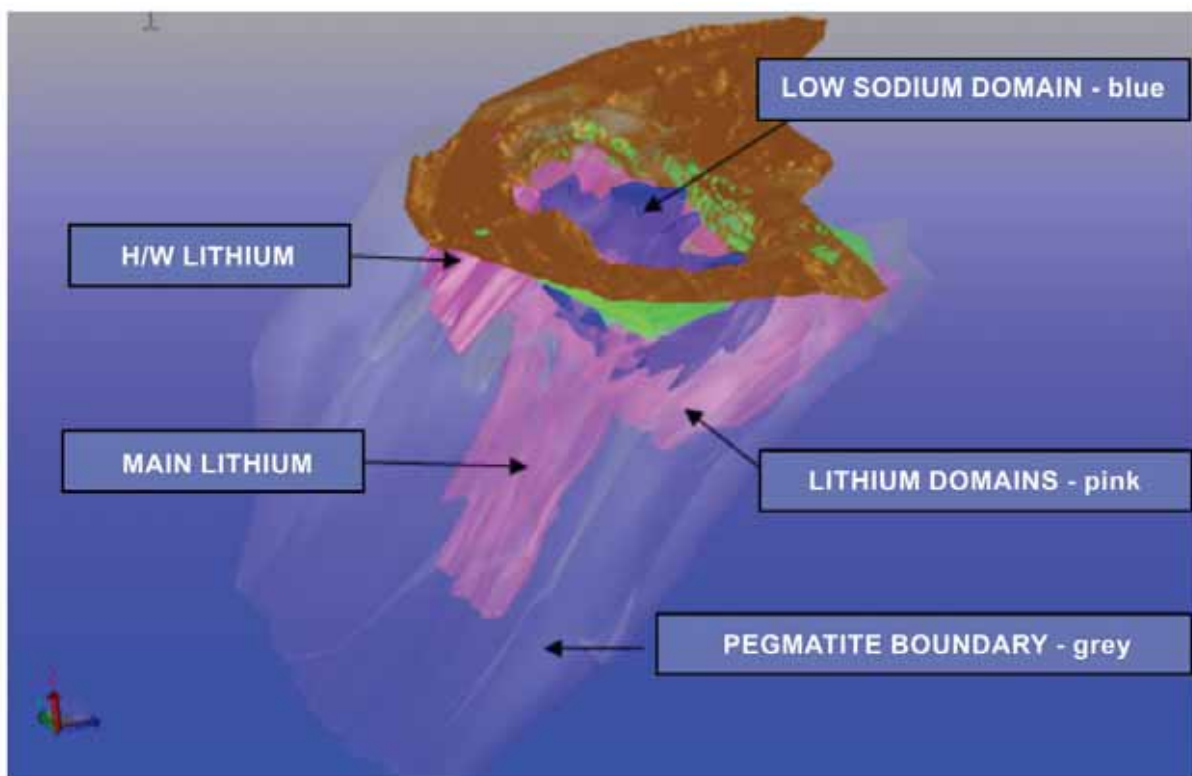
Flagging of composites inside the Low Sodium wireframe was done separately by QG.

Model Coding

Talison provided an ASCII file with model block centroids coded in Surpac. The model was imported into Isatis and selections created, based on the flag fields supplied

Data Analysis

Drill hole data was loaded, flagged and visual checks completed to confirm that flagging had been performed correctly.



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**Greenbushes Lithium Operations
Geological Domains in the C3 Pit Area**

Figure 7

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Grade Capping

Grade capping was applied to several variables in several domains for the purposes of variography and grade estimation. The impact on mean values from capping is negligible.

Summary Statistics

Table 8.3 contains summary statistics for those variables used in the BAD calculation in the Main Lithium domain, after segregation into Low and High Sodium zones. The statistics display significant differences in mean grade between the High and Low Sodium sub-domains for all variables.

Table 8.3: Summary Statistics of Low and High Sodium Sub-domains of the Main Lithium Domain

Variable	Count	Cut Value	Mean	Cut Mean	Std. Dev.	Variance
High Sodium Sub-Domain						
Li ₂ O	441	-	4.32		0.39	0.15
CaO	414	3	0.11	0.11	0.10	0.01
MnO	160	0.3	0.047	0.046	0.031	0.001
Na ₂ O	444	-	0.34		0.16	0.02
P ₂ O ₅	336	1	0.09	0.09	0.08	0.01
Low Sodium Sub-Domain						
Li ₂ O	945	-	3.56		0.71	0.50
CaO	867	3	0.25	0.24	0.41	0.17
MnO	499	0.3	0.069	0.067	0.060	0.004
Na ₂ O	948	-	1.11		0.71	0.50
P ₂ O ₅	821	1	0.20	0.20	0.16	0.02

Variography

Experimental variograms were calculated for all variables within the Main Lithium domain. Variograms were not calculated for the Hangingwall Lithium domain due to lack of data, and the variograms defined from the Main Lithium domain were applied to this zone.

Grades were visually examined in 3-D, variogram maps generated, and directional variograms calculated. No strong evidence of anisotropy was identified, and all variables were modelled using an omni-directional variogram in the plane of the structure, and the down-hole variogram perpendicular to the plane. Figure 8 displays the experimental and modelled variograms for Li₂O in the Main Lithium domain. This indicates a moderate nugget effect and well-formed variogram; the bulk of the variance occurs within 50m, with a modelled long range of 140m.

Modelled variogram parameters for the Main Lithium domain are summarised in Table 8.4. The ranges modelled for a number of variables are considerably shorter in the 2009 estimate than were modelled in previous estimates (Figure 8). In the case of Li₂O, although the ranges are shorter, the shape of the short range of the variogram did not change significantly. Variables which show large trends in grade (such as Na₂O and CaO), however, have been modelled significantly differently, since the imposition of the Low Sodium domain has significantly reduced the drift features seen in the earlier experimental variograms.

The variogram models used for estimating the Pegmatite domains (Table 8.5) were adopted from the previous resource estimate.

Table 8.4: Summary of Fitted Variogram Models, Main Lithium Domain

Element	Rotation (Isatis maths)			Sill	Nugget	Structure 1			Structure 2			Structure 3					
	Z	Y	X			Sill	U	V	W	Sill	U	V	W	Sill	U	V	W
Li ₂ O	26	-52	0	0.15	31%	0.15	18	18	10	0.116	50	50	35	0.07	140	140	90
CaO	26	-52	0	0.014	20%	0.027	14	14	12	0.029	55	55	40				
Fe ₂ O ₃	20	-52	0	0.058	25%	0.087	15	15	11	0.085	90	90	30				
K ₂ O	0	-45	17	0.442	26%	0.835	10	10	8	0.422	40	40	18				
MnO	0	-45	17	0.0004	20%	0.0008	12	12	6	0.00085	48	48	20				
Na ₂ O	28	-52	0	0.1	38%	0.087	20	20	11	0.078	70	70	45				
P ₂ O ₅	0	-45	17	0.0038	24%	0.0039	20	20	7	0.008	90	90	20				
Sn	0	-45	17	0.0000342	31%	0.0000358	16	16	9	0.0000398	58	58	25				
Ta ₂ O ₅	0	-45	17	1150	42%	460	30	30	10	1160	120	120	25				

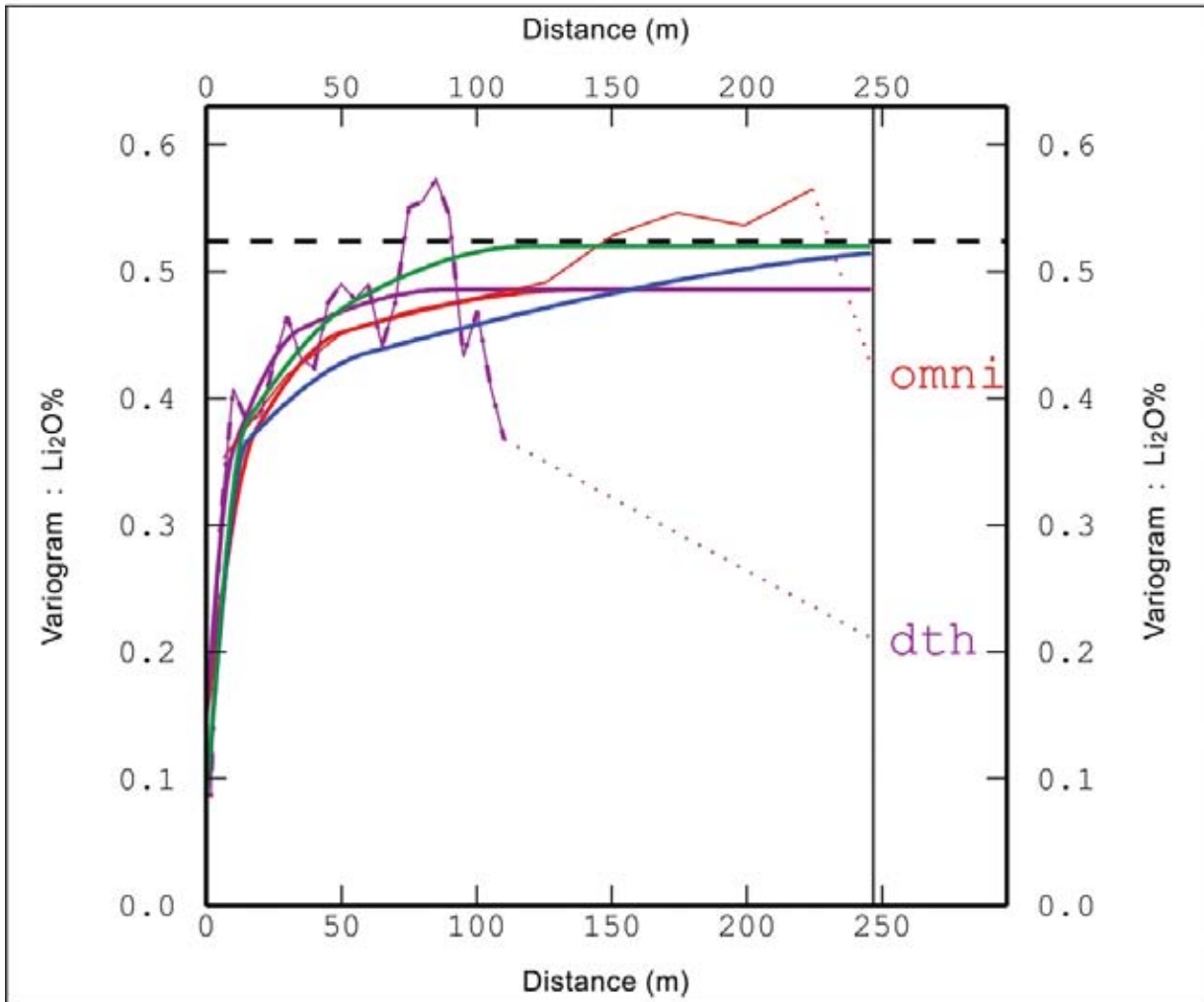
Table 8.5: Summary of Variogram Models Adopted for Pegmatite Domain

Element	Rotation (Isatis maths)			Sill	Nugget	Structure 1			Structure 2			Structure 3					
	Z	Y	X			Sill	U	V	W	Sill	U	V	W	Sill	U	V	W
Li ₂ O	-92	21	41	0.12	16%	0.095	25	40	15	0.18	320	270	120	0.37	900	270	-92
CaO	-70	0	45	0.13	20%	0.07	300	300	20	0.46	300	300	270				-70
Fe ₂ O ₃	-70	0	45	0.4	19%	0.37	280	280	20	1.29	280	280	280				-70
K ₂ O	-92	21	41	0.2	6%	1.1	50	50	20	2.2	270	450	140				-92
MnO	0	0	0	0.004	17%	0.0047	24	24	24	0.0151	110	110	110				0
Na ₂ O	-81	11	44	0.4	12%	0.57	50	100	80	2.3	400	180	125				-81
P ₂ O ₅	-81	11	44	0.02	25%	0.053	140	140	80	0.0075	300	140	100				-81
Sn	-84	14	43	0.0002	10%	0.0003	40	40	40	0.0001	700	50	50	0.0014	700	600	-84
Ta ₂ O ₅	20	-64	0	2000	30%	1930	30	30	10	2833	120	120	25				20

Grade Estimation

The 2009 grade estimation was undertaken by QG in Isatis software. Isatis does not support sub-blocking, so the coded sub-block centroids from Surpac were imported into Isatis as points, then migrated up into an Isatis grid with dimensions equivalent to the parent cells in Surpac. Upon completion of estimation, grade values were then registered onto the appropriate Surpac sub-block point locations, exported to ASCII, and loaded back into the original Surpac block model.

Estimation was performed using OK, with each variable being estimated independently. Quantitative Kriging Neighbourhood Analysis ("QKNA") was used to guide the choice of sensible kriging estimation parameters. The choice of search ellipsoid dimensions and rotations was based on the geometry of the domains, data distribution and modelled spatial continuity.



Experimental and fitted Li_2O variogram model (purple and red lines).
Previously fitted variogram model shown in blue and green.

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Greenbushes Lithium Operations
Experimental and Modelled Li_2O
Variogram Model

Figure 8

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No alternative estimation methods were tested. The use of OK is considered adequate for the purpose of this estimate, and has resulted in local estimates that are sufficiently accurate for the classification level applied.

A second estimate was run without the Low Sodium wireframe control, to allow a measure of the impact of this new wireframe constraint.

Investigation showed that the variograms calculated using Low and High Sodium domains independently could be modelled with structures that were proportionate to the variogram model fitted on the entire Main Lithium domain (i.e. the variograms could be simply re-scaled to match the sill of the experimental variograms calculated for each of the sub-sets). Consequently, the same variogram defined for the Main Lithium domain (Table 8.6) was used in estimation of each of the Low and High Sodium sub-domains.

The search parameters used in estimation of the Lithium domains are provided in Table 8.6, and the Pegmatite domains in Table 8.7. Because the same variogram was used for unconstrained and constrained estimates, the same search parameters were adopted also. Note that the search ellipsoid has been compressed so that the cross strike search distance is one third of the distance of directions within the plane. This geometric constraint was imposed to force sample selection from adjacent holes, and limit the number of samples taken out of an individual hole. These ratios were guided by the overall geometry of the Lithium domain.

Table 8.6: Main Lithium Domain Estimation Parameters

Element	Rotation (°)			Search Ellipsoid (m)			Selection Parameters		
	Z	Y	X	Principal	Intermediate	Minor	Sectors	Min Comps	Max Comps
Li ₂ O	26	-52	0	150	150	50	4	4	8
CaO	26	-52	0	150	150	50	4	4	8
Fe ₂ O ₃	20	-52	0	150	150	50	4	4	8
K ₂ O	0	-45	17	150	150	50	4	4	11
MnO	0	-45	17	150	150	50	4	4	10
Na ₂ O	28	-52	0	150	150	50	4	4	9
P ₂ O ₅	0	-45	17	150	150	50	4	4	8
Sn	0	-45	17	150	150	50	4	4	9
Ta ₂ O ₅	0	-45	17	150	150	50	4	4	8

Table 8.7: Pegmatite Domain Estimation Parameters

Element	Rotation (°)			Search Ellipsoid (m)			Selection Parameters		
	Z	Y	X	Principal	Intermediate	Minor	Sectors	Min Comps	Max Comps
Li ₂ O	-92	21	41	400	200	100	4	5	8
CaO	-70	0	45	300	300	200	4	4	8
Fe ₂ O ₃	-70	0	45	30	30	100	4	4	8
K ₂ O	-35	-35	35	300	200	100	4	4	8
MnO	0	0	0	500	500	500	4	6	4
Na ₂ O	-70	0	45	350	250	150	4	4	8
P ₂ O ₅	-81	11	44	350	250	150	4	4	8
Sn	-84	14	43	300	250	250	4	5	8
Ta ₂ O ₅	-70	0	45	300	300	200	4	6	8

Estimate Validation

The OK resource model was validated by examining:

- Global input composite statistics and corresponding output block statistics.
- Semi-local checks of average grades of inputs and outputs in moving window slices. An example of this type of plot for Li₂O estimation in the Main Lithium domain is presented in Figure 9. Slice plots for the other variables were completed, and showed an acceptable degree of smoothing.
- The resources reported for the models developed with and without the Low Sodium domain were compared to production data between July 2007 and December 2008. The use of the Low Sodium domain provided significantly closer reconciliation than the unconstrained estimate, particularly for TG ore. Both models overestimated CG ore compared to production, but there was closer agreement for the constrained (Low Sodium) model.

Bulk Density

Bulk density was applied as domain averages, based on historic data, including mine production data. Fresh pegmatite and waste were set to 2.64t/m³ and 2.90t/m³, respectively. No bulk density was assigned to oxide material, as there is effectively no oxidised pegmatite in the model.

BAD Estimate

As described earlier, Talison has derived a proxy for Fe₂O₃ content in mill feed based on concentrations of Li₂O, CaO, Na₂O, MnO and P₂O₅. This calculation was applied to the estimates for all blocks inside the Lithium domains.

C3 below 1100mRL, C1 and C2 Resource Model

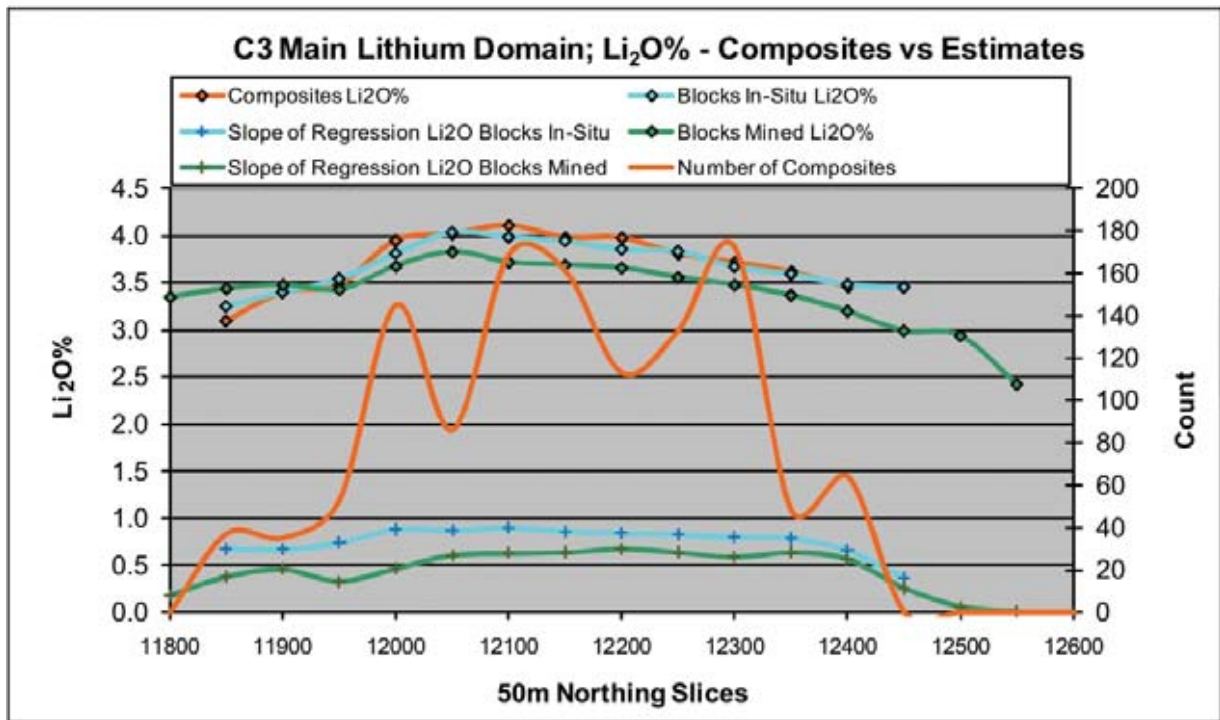
Current resources in the C1 and C2 areas rely on geological domains dating from mid-2006 and based on data to June 2007. At that time, the lithium mineralisation was domained inside the pegmatite using a nominal 2.8% Li₂O boundary condition discontinuously from the south of C1, through C2 to the north of C3. The consequent statistical analysis and variography considered the lithium mineralisation as a whole, (i.e. not as separate areas), despite changes in geometry and local grade trends to the south of C3. It should also be noted that there is no significant development of TG ore or low sodium zones south of C3.

The quality of input data, resource estimation and reporting in the 2007 model was in accordance with industry standards and met JORC Code reporting guidelines. The estimate was by OK into 20m x 20m x 5m parent blocks. Classification was based on a combination of data density, geological confidence and spatial continuity.

There has been no further drilling in the C1 and C2 areas since the 2007 model estimate was completed, and drilling density is relatively high. It is recognised that the C1 and C2 model could be improved through re-domaining and re-estimation of resources, applying local variogram parameters and search volume orientations reflecting shallower dips and local grade trends. However, it is considered that the 2007 resource model for the C1 and C2 areas remains valid, although previous Measured Resources have been downgraded to Indicated in recognition of the fact that area-specific resource modelling has not been undertaken.

Comment

BDA has reviewed the Greenbushes lithium resource model processes and procedures and considers them reasonable, in accordance with industry standards and in compliance with the JORC Code.



Slice plot, Li₂O within Main Lithium domain, 50m Northing slices

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Greenbushes Lithium Operations
Li₂O within Main Lithium Domain,
2009 Model Validation Slice Plot

Figure 9

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8.3 Mineral Resource Classification and Reporting

Definitions

The Mineral Resource has been classified according to the definitions of JORC Code, under which:

- A *Measured Mineral Resource* is a mineral resource which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known.
- An *Indicated Mineral Resource* is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability.
- An *Inferred Mineral Resource* is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

The definitions of Mineral Resources under the JORC Code are broadly in accordance with Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the guidelines published by the Council of the Canadian Institute of Mining, Metallurgy and Petroleum ("the CIM Standards").

Basis of Mineral Resource Classification

Resource classification of the Lithium domains is based on the data density, geological confidence and estimate quality of the Li₂O estimate. Given that data quality meets JORC Code requirements, blocks with good quality Li₂O estimates and with a drill density of around 50x50m were classified as Indicated. No in-situ material has been classified as Measured. Inferred Resources are present in areas where data density or estimation quality are deemed to be poorer.

Mineral Resource Statement

Table 8.8 and Table 8.9 report the current Greenbushes lithium resources held by Talison Lithium by category and by area, respectively. The resource estimates for the Greenbushes lithium deposits reported as of June 2009 were carried out or supervised under the guidelines of the JORC Code by QG.

Table 8.8: Greenbushes Lithium Mineral Resources by Category – 30 June 2009

Category	Ore Type	Tonnage (Mt)	Li ₂ O Grade (%)
Measured	TG	0.02	4.3
	CG	0.08	4.0
Total Measured Mineral Resource	Combined	0.11	4.1
Indicated	TG	2.9	4.3
	CG	18.4	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Indicated Mineral Resource	Combined	22.4	3.7
Measured and Indicated	TG	2.9	4.3
	CG	18.5	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Measured and Indicated Mineral Resource	Combined	22.5	3.7
Inferred	TG	0.03	4.0
	CG	2.6	3.5
	< 3.2% Li ₂ O	0.05	3.1
Total Inferred Mineral Resource	Combined	2.7	3.5
All Mineral Resources	TG	2.9	4.3
	CG	21.0	3.6
	< 3.2% Li ₂ O	1.2	3.1
Total Mineral Resource	Combined	25.2	3.6

Notes: Mineral Resources include TG Ore type at a 4% Li₂O block cut-off (and Fe₂O₃<0.1%) and CG Ore type at a 3.2% Li₂O block cut-off; stockpiles included as Measured Mineral Resources; some rounding errors in totals; Lithium domains are drawn at a 2.8% Li₂O grade boundary.

The Mineral Resource statement was compiled by Scott Jackson of QG and reviewed by Dan Greig of BDA who are appropriately qualified to act as "Competent Persons" as defined in the JORC Code.

Table 8.9: Greenbushes Lithium Mineral Resources by Area – 30 June 2009

Location	Category	Material Type	Tonnage (Mt)	Grade (Li ₂ O %)	
C3 – above 1100mRL	Indicated	TG	2.88	4.3	
		CG	10.60	3.6	
		<3.2% Li ₂ O	1.16	3.1	
		Sub-total Indicated		14.60	3.6
	Inferred	TG	0.03	4.0	
		CG	0.47	3.5	
		<3.2 Li ₂ O	0.05	3.1	
		Sub-total Inferred		0.54	3.5
	C3 – below 1100mRL	Indicated	TG	-	
CG			3.5	3.6	
<3.2 Li ₂ O			-		
		Sub-total Indicated		3.5	3.6
Inferred		TG	-		
		CG	0.59	3.5	
	<3.2 Li ₂ O	-			
	Sub-total Inferred		0.59	3.5	
C1	Indicated	TG	0.01	4.1	
		CG	2.56	3.6	
		Sub-total Indicated		2.57	3.6
	Inferred	TG	-		
		CG	1.13	3.5	
	Sub-total Inferred		1.13	3.5	
C2	Indicated	TG	-		
		CG	1.71	3.5	
		Sub-total Indicated		1.71	3.5
	Inferred	TG	-		
		CG	0.40	3.5	
	Sub-total Inferred		0.40	3.5	

Notes: Mineral Resources include TG Ore type at a 4% Li₂O block cut-off (and Fe₂O₃<0.1%) and CG Ore type at a 3.2% Li₂O block cut-off; some rounding errors in totals; Lithium domains are drawn at a 2.8% Li₂O grade boundary; stockpiles not included.

Mineral Resources for the C3 area above 1100mRL are derived from the 2009 resource model, while the C1, C2 and deeper C3 resources were determined from the 2007 model. The 2009 C3 model separately identifies and reports TG and CG material, whereas TG material is essentially absent in C1, C2 and deeper parts of C3. All resources are reported as of the end of June 2009, using the end of month mining survey. Subsequent production has occurred, but the impact on total resources is not significant.

8.4 Greenbushes Lithium Ore Reserves

Definitions

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore Reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling. Talison's Greenbushes lithium Ore Reserves represent those portions of the Mineral Resource which can be mined economically under the defined parameters, and which are planned to be mined within a designed open pit. The Ore Reserves are included within the overall Mineral Resources. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into a reserve category.

The Mineral Resources are stated inclusive of resource material used in the Ore Reserve estimate. Mineral Resources that are not included in Ore Reserves do not have demonstrated economic viability.

The definitions of Ore Reserves under the JORC Code are generally in accordance with NI 43-101 regulations and CIM Standards, with the exception that Proved and Probable Ore Reserves are defined as Proven and Probable Mineral Reserves under NI 43-101.

Ore Reserves Basis

The lithium Ore Reserves for the C3 and C1 areas comprise open pit material, and were developed through Whittle pit optimisation of Indicated Mineral Resources within the 2009 and 2007 resource models, respectively. Based on a review of reconciliation data, Talison has allowed for 100% mining recovery and 0% dilution of the Mineral Resources within the pits. Mine design was completed in accordance with established slope stability criteria, using Surpac mining software. The pits have been designed with 30m bench heights, 18m bench widths and overall wall angles of 50°. Local berm angles vary with local ground conditions. Ramp width is 18m for single-way and 24m for two-way traffic. Ramp gradient is 1:10. The pit design floor is at 1100mRL, with a maximum high wall of approximately 230m in C3.

Product yields vary between 45% and 50% according to the product specification, and, in the case of CG ore, the plant producing the product. Consequently, no single yield figure can be applied to the various ore types and classes. Total product yield over the life of the project is estimated to be 49%.

The reserves utilise the mining surface as of the end of June 2009. No allowance has been made for mining depletion of 130,000t at 3.7% Li₂O for the months of July through September 2009.

Table 8.10 summarises the Ore Reserves for the C3 and C1 areas, including stockpiles, as at 30 June 2009. All TG ore is contained within C3 pit and 78% of CG ore is contained in the C3 pit with the remainder, excluding stockpiles contained within the C1 pit.

The Ore Reserve calculations for the Greenbushes C1 and C3 lithium deposits have been carried out according to the guidelines of the JORC Code by Talison. BDA has reviewed the Greenbushes lithium Ore Reserve process and determined that the assumptions and parameters used in the preparation of the Ore Reserves are appropriate, with minor reservations regarding the dilution factor as detailed in Section 9; BDA considers that the lithium Ore Reserves statement fairly represents the lithium Ore Reserves at Greenbushes.

Table 8.10: Lithium Ore Reserves – 30 June 2009

Category	Ore Type	Tonnage (Mt)	Li ₂ O Grade (%)
Proved	TG	0.02	4.3
	CG	0.08	4.0
Total Proved Ore Reserves	Combined	0.11	4.1
Probable	TG	2.3	4.4
	CG	7.6	3.7
Total Probable Ore Reserves	Combined	9.9	3.9
Total	TG	2.3	4.3
	CG	7.7	3.7
Total Ore Reserves	Combined	10.0	3.9

Note: Proved Ore Reserves are exclusively ROM stockpiles; some rounding errors in totals; mining depletion since 30 June 2009 to 30 September 2009 is 130,000t.

The Ore Reserve statement was compiled by David Miller of Talison and reviewed by Peter Ingham of BDA both of whom are appropriately qualified to act as "Competent Persons" as defined in the JORC Code.

8.5 Additional Resource and Reserve Potential

No significant extensions to the TG resources or reserves are known at this time. However, there is potential for additional CG Ore Reserves to be developed:

- from existing Indicated Mineral Resources not currently included in the mine schedule – some 7Mt of Indicated Mineral Resource remain outside the current pit designs and above 1100mRL, primarily in the C3 area, but also in C2 and C1. These resources may not be economic under current operating parameters, but improvement in lithium prices, plant performance or operating costs could allow their development. Equally, re-opening of tantalum mining in the C3 area would provide low cost access to the adjacent lithium resources.
- north and south of the C1 and C3 mining areas, based on current Inferred Resources of some 2Mt above 1100mRL in these areas.
- additional exploration potential exists in currently unresolved complicated structural environments west of C1 and south of C3.

Conclusions

Mineral Resource modelling has been undertaken professionally by an independent consulting group (QG), with input and overview from Talison staff. Data validation has been completed, and the resource methodology and categorisations are considered to be generally appropriate. The drill data gives a reasonable coverage of the lithium mineralised zone and provides an appropriate basis for Mineral Resource estimates. The resource classifications are considered appropriate.

Ore Reserves estimation has been reviewed by BDA, and found to be an acceptable measure of the recoverable resources. BDA has identified the need to improve the grade control procedures to ensure the full recovery of the TG ore type with increasing complexity of structure at depth.

9.0 MINING

9.1 Overview

Currently mining at Greenbushes is based on open pit extraction using conventional hydraulic excavators and haul trucks; mining is at a rate of approximately 1.4Mbcm per annum at a strip ratio of waste to lithium ore of around six to one.

Pit Optimisation and Designs

The defined lithium Mineral Resources are contained within the C1 and C3 lode zones. The mineral resource block model defines lithium ore types in each zone. The design of the C3 open pit which contains most of the lithium Ore Reserves was based on optimisation work undertaken by Talison and reviewed by BDA. The TG ore type has block grades greater than 4% Li₂O and a BAD factor of less than 0.1% while the CG ore type has block grades above 3.2% Li₂O and excludes material already in the TG ore type. Whittle Four-X software using the Lerch Grossman algorithm was used to create optimised pit shells from the resource block model.

The mining cost parameters used in the modelling were based on the drill and blast, and load and haul contract costs adjusted to current rates via the rise and fall formulae within the contracts. The assumption for the pit slopes for all walls was 50°; the basis of slope angles is further discussed under geotechnical assessment. Based on recent results of the C3 pit reconciliations of the mine production against the resource model, the mining input parameters for the optimisation were set at 0% dilution and 100% recovery of ore; further discussion of grade control and mine to mill reconciliation is set out below. The other key parameters used in the optimisation were processing costs of between A\$42-68/t depending on grade and product specifications. Product yields, production rates and product pricing used in the optimisation were reviewed by BDA and were considered appropriate for the optimisation modelling. With the need to balance total production and corporate marketing requirements, the optimisation modelling considered both total lithium ore (TG and CG) and TG ore only in determining the optimum shell as the basis for the open pit designs.

The selected Whittle shells from the optimisation modelling were used to design mineable pits that satisfied the design criteria of the site Slope Stability Management Plan, prepared when Sons of Gwalia operated the mine, utilising parts of the existing ramps, minimising narrow mining widths and meeting the required bench mining widths. The C3 pit has been designed with 30m bench heights, 18m bench widths and overall wall angles of 50°. Local batter angles vary with local ground conditions summarised in Table 9.1. Ramp width was set at 18m single lane and 24m for two way traffic. Haul road gradient was set at 1:10 or approximately 6°. The final pit floor is at 1100mRL, with a high wall of approximately 230m.

The C3 pit is planned to be mined in three stages to ensure continuity of TG and CG ore production and to minimise waste removal over the life of the pit; the stages are referred to as west, east and south cutbacks. The stages are designed to be mined concurrently. The mining parameters used in determining the Ore Reserves were the same as used in the optimisation modelling incorporating mining dilution of 0% and a mining recovery of 100%. The final C3 pit design is shown in Figure 10.

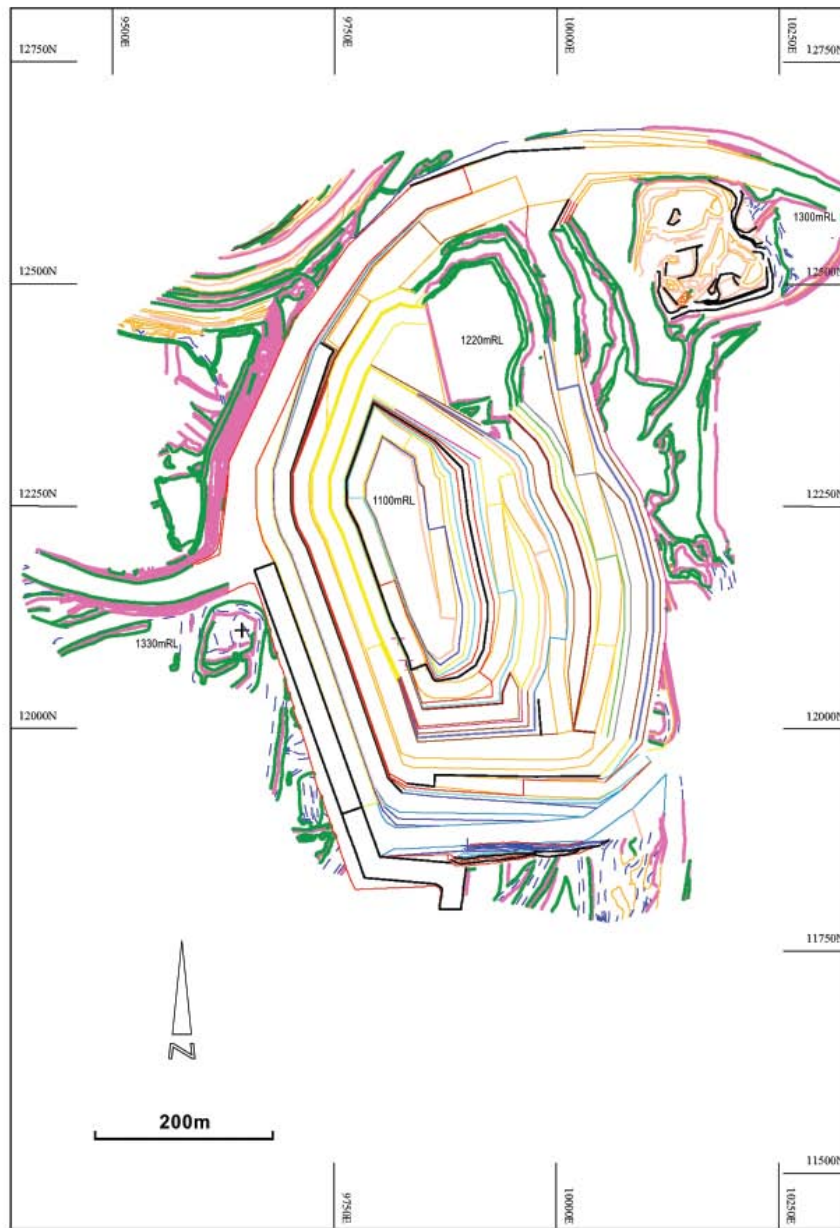
The C1 Mineral Resource is predominantly a massive zone of CG mineralisation. The mine design was not based on optimised shells but was designed to meet the waste to ore strip ratio that ensured the pit's profitability. The pit used similar design parameters as used in the C3 pit with local batter angles as summarised in Table 9.1. The pit design, which is not staged, was only based on Indicated Mineral Resources, ignoring the significant Inferred Mineral Resources, while providing the possibility for pit extensions to take in the Inferred Mineral Resources should these resources be upgraded after further drilling. The volumes, tonnes and grade for the pit design for C3 and C1 pits along with stockpiles at the end of June 2009 are summarised in Table 9.2. All TG ore is contained within C3 pit and 78% of CG ore is contained in the C3 pit, with the remainder, excluding stockpiles, contained within the C1 pit.

Table 9.1: Pit Wall Design Parameters

Pit	Wall Orientation	Lithology	Maximum Batter Angle (Degrees)	Maximum Bench Height (metres)	Minimum Berm Width (metres)
C1	All Walls	Weathered to Moderately Weathered	45	30	8
	West	Pegmatite	75	30	8
	South	Pegmatite	65	30	8
	East	Pegmatite	55	30	8
	North	Pegmatite	65	30	8
C3	West	Amphibolite and Pegmatite	85	30	15
	West	Pegmatite	85	30	15
	South	Pegmatite	85	30	15
	East	Pegmatite	55	30	15
	North	Pegmatite	75	30	15

Table 9.2: C3 and C1 Open Pits and Stockpile Lithium Ore Reserves and Mining Volumes – 30 June 2009

Category	Ore Reserves						Mining Volumes		
	TG Volume	TG Tonnage	TG Grade	CG Volume	CG Tonnage	CG Grade	Waste Volume	Total Volume	Strip Ratio
Pit/ Stage	Mbcm	Mt	(%)	Mbcm	Mt	(%)	Mbcm	Mbcm	(W:O)
Proved									
Stockpiles	0.01	0.02	4.34	0.03	0.08	4.01	-	0.04	-
Probable									
C3 Pit									
Current	0.01	0.03	4.40	-	-	-	-	0.01	-
South	0.28	0.73	4.39	0.15	0.39	3.73	1.59	2.01	3.8
West	0.48	1.26	4.31	0.90	2.37	3.64	3.44	4.81	2.5
East	0.10	0.27	4.39	1.21	3.21	3.80	2.26	3.58	1.7
<i>Subtotal</i>	<i>0.86</i>	<i>2.28</i>	<i>4.35</i>	<i>2.26</i>	<i>5.96</i>	<i>3.73</i>	<i>7.29</i>	<i>10.41</i>	<i>2.3</i>
C1 Pit									
Current	-	-	-	0.62	1.65	3.65	1.26	1.88	2.0
<i>Subtotal</i>	<i>0.86</i>	<i>2.28</i>	<i>4.35</i>	<i>2.88</i>	<i>7.61</i>	<i>3.71</i>	<i>8.54</i>	<i>12.29</i>	<i>2.3</i>
Total	0.87	2.30	4.35	2.91	7.69	3.71	8.54	12.33	



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**Greenbushes Lithium Operations
C3 Pit Design**

Figure 10

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9.2 Geotechnical and Hydrological Aspects

The geotechnical parameters including slope angles used in the optimisation were drawn from recommendations in the BFP Consultants Pty Limited slope stability report and subsequent annual design reviews by independent consultants. Allowances for haul road segments were included in the design parameters. The designs are consistent with current operating practices for the C3 pit which include steeper batters with more horizontal catchment on the berms. The Cornwall pit which is adjacent and to the north of the C3 pit was mined to a depth of 270m between 1992 and 2003 using the same overall slope angles and its walls remain stable.

Ongoing geotechnical data collection, test work and review are planned as the pits increase in depth to ensure the risk of slope failure is minimised. Slope profiles have been designed for the various geotechnical domains within the resource model and are summarised in Table 9.1.

No recent hydrological studies for the pit have been undertaken, however, based on the current open pit and underground tantalum mining below the C3 open pit, there is no evidence of ground-water being a potential problem for Greenbushes. In view of a larger rainfall catchment area, as the 'footprint' approaches the final pit shell, additional pumping from the pit will be required.

9.3 Grade Control

Talison's grade control procedure is based on sampling of blast holes drilled by open-hole percussion drills on a spacing of 3m x 3m or less depending on blasting requirements. However, prior to drilling, lithological boundaries between pegmatite and waste (greenstone) are identified from blast hole logging and geological bench mapping. For those holes within pegmatite, grab samples are collected for analysis from cuttings at the collar representing the 5m drill length. Duplicate samples are subsequently collected at a ratio of approximately 1:20 and submitted for analysis for QA/QC purposes.

Ore outlines are based on interpretation of blocks above the Li_2O cut-off grade, which is presently 3.2% Li_2O , taking account of practical mining limitations, with TG blocks being identified from Li_2O and BAD factor calculations. Predicted mining tonnes and grade are calculated in Surpac software.

In order to maximize the recovery and quality of TG ore mined, blocks of TG ore are blasted separately where possible. A further precaution to reduce iron contamination is the practice of covering TG blast blocks with lithium tailings prior to blasting of adjacent greenstone areas. The tailings are then removed prior to mining the TG block. Finally, mining of TG requires almost continual visual ore spotting control, and is limited, whenever possible, to day-time operations.

Production Reconciliation

Reconciliation between the resource model, mine-predicted production (from blast hole data) and mill production is carried out routinely on the C3 pit production and reported monthly. The reconciliation trends are used to monitor performance of the resource model and to determine factors translating Mineral Resources to Ore Reserves. Talison provided records of Mineral Resource to grade control to mill production reconciliation for the 24 month period to June 2009. Reconciliation in the last six months from January to June 2009 is considered by Talison to be anomalously high due to extraction of previously undefined lenses from cutback areas in the pit where the resource model is poorly represented. Consequently the reconciliation analysis focuses on the 12 month period from January to December 2008.

Mine, stockpile and mill daily and monthly production data are stored in a database tracking system. The reconciliation process uses the 2009 resource model and matches TG and CG lithium ore streams from in-situ Mineral Resources through the stockpiles to the mill, applying end-of-month pit and stockpile surveys, mine ore movements, stockpile balances and mill processing figures. The outcome is a back-calculated mine production tonnage and grade based on mill figures balanced by stockpile movements. This tonnage and grade is then reconciled against the depleted resource in the pit, and as a secondary check, against the cumulative daily trucking figures. The reconciliation of Mineral Resources against back-calculated mine production figures produces mill-based factors used to translate Mineral Resources to Ore Reserves in the pit optimisation and design process.

The weaknesses inherent in the operation over short time periods are the relatively low tonnages moved each month compared to the mineral resource block size, the potential for stockpile survey error, and the definition of the blend. The results and trends gain credibility as the time period increases. The mill figures are generally taken as fixed and any reconciliation issues sheeted back to model and mine performance. As mine production relies on blast hole sampling for grade control and ore blocking there is a natural separation between the mineral resource model and the production stream common to many mining operations.

An example of the relationship between grade control blocks and the mineral resource block model is shown in Figure 11. This is typical of recent mining in the C3 pit, and shows that the location of ore and waste as indicated from 50m spaced resource drilling is inexact when compared to detailed 3m x 3m blast hole drilling.

Reconciliation Results

Operating Situation

Grade control blocking and mining of lithium ores from the C3 pit to the end of June 2009 has applied a 3.6% Li₂O cut-off to grade control blocks defining the CG ore type. However, the lithium mineral resource criterion for CG ore is defined at a cut-off of 3.2% Li₂O. To produce appropriate production reconciliation against the Mineral Resource in the 2008 year the CG ore in the mineral resource model has been interrogated at 3.6% Li₂O.

Following a review of the economics of the operation, the mining block cut-off in the pit has been lowered to 3.2% Li₂O from July 2009. Therefore some extrapolation of the current grade control ore block outcomes is required to determine the appropriate factors translating Mineral Resources to Ore Reserves in future mining.

The decision to lower the mining cut-off of CG ore was taken after the current optimisation and design of the C3 pit. The decision does not impact on the availability of TG ore to the ore stream but may have an impact on the relationship between planned and actual GC tonnes.

A review has been completed of the lithium bearing material grading between 3.2% Li₂O and 3.6% Li₂O mined from grade control blocks in the C3 pit in 2008. This tonnage and grade was compared with the material available between these grade limits in the mineral resource model. The comparison showed slightly more than 50% of the tonnes defined in the mineral resource model have been mined and stored on low grade stockpiles.

Resource to Mill Reconciliation at 3.6% Li₂O Cut-off

The mine production to mill reconciliation at 3.6% Li₂O cut-off is close, the mine reporting marginally higher tonnes for both TG and CG ore. Table 9.3 shows reconciliation figures for 2008.

Table 9.3: Resource to Mill Reconciliation for C3 Pit – Calendar Year 2008

Ore Type	Model 2009		Stockpile Balanced		Reconciliation	
	Resource Model		Mined		Reconciliation	
	Tonnage Mt	Grade Li ₂ O%	Tonnage Mt	Grade Li ₂ O%	Tonnes %	Grade %
TG	0.197	4.4	0.220	4.3	112	98
CG at 3.6%	0.183	3.8	0.194	3.8	106	101
CG at 3.2%	0.102	3.4	0.052	3.3	51	98
Total	0.482	4.0	0.466	4.0	97	101

Reconciliation at 3.2% Li₂O Cut-off

At a 3.2% Li₂O cut-off the CG Mineral Resource to mill tonnage reconciliation is strongly negative due mainly to the ore stream being mined from the pit at 3.6% Li₂O cut-off over the period. Lithium-bearing material between 3.2% and 3.6% cut-off is identified during grade control and moved to low grade stockpiles. This material is identified as low grade or high grade tantalum ore types and is blocked out in grade control on tantalum grade distribution. The definition by lithium content has been secondary.

From July 2009 this material has been defined on Li₂O content and captured in the ore stream feeding the ROM. A review of the tonnage and grade of tantalum grade control blocks carrying greater than 3% Li₂O against the resource model indicates that about 50% of this material has been recovered during the 2008 year.

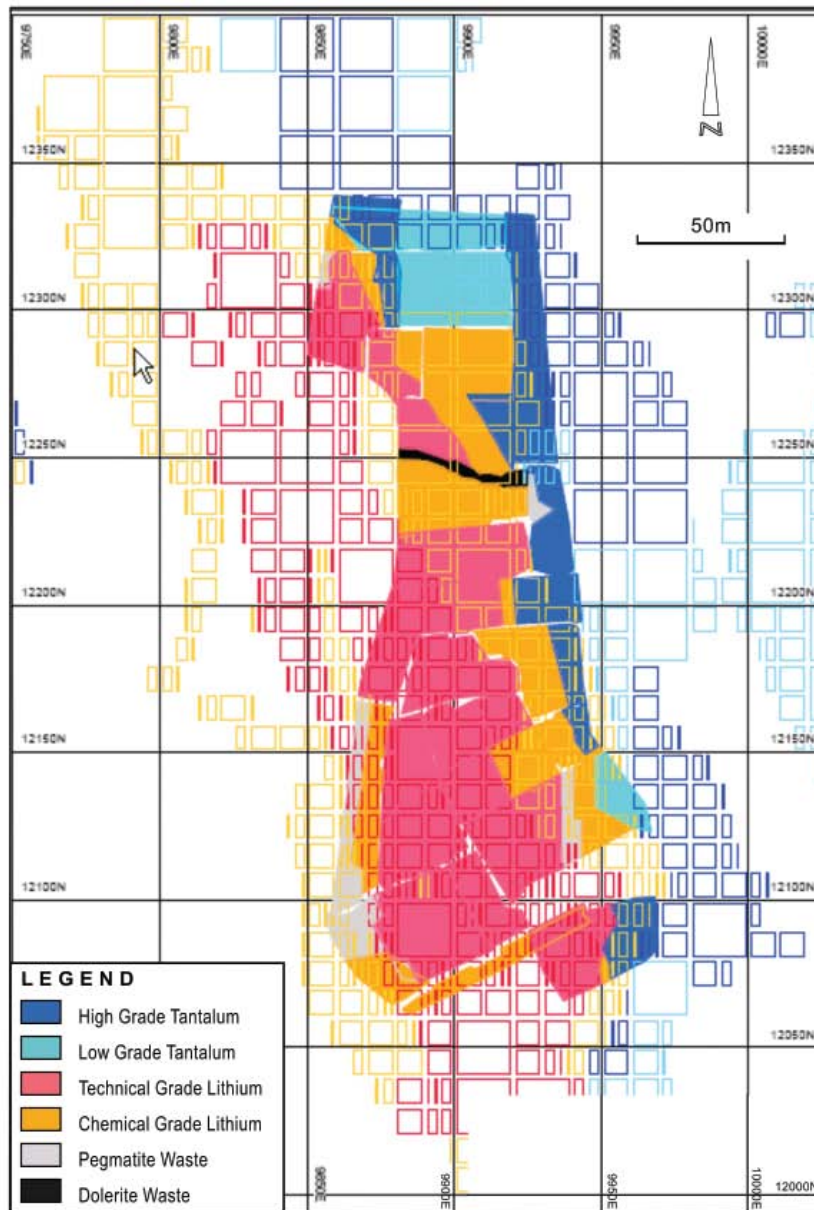
The mine recovery of lower Li₂O grades is expected to improve in future through targeted grade control blocking out of the +3.2% Li₂O zones. Combining the 3.6% Li₂O cut-off Mineral Resource to mill reconciliation results with the indicated availability of additional tonnage at 3.2% Li₂O cut-off from grade control results suggests a mine recovery of about 85% of tonnes and a full recovery of grade. However, due to over-recovery of TG ore, total mine recovery of CG and TG ore represents approximately 97% of resource tonnes at 100% of expected grade (Table 9.3).

The inference is that the mineral resource model understates the TG ore that can be recovered, this extra material being recovered in the mine as CG ore. Whether this feature is inherent in the mineral resource model or is due to grade control and mining practices is uncertain. However, it is considered probable that over-recovery of TG ore will decline at depth as the C3 deposit geology becomes more complex.

Mineral Resource to Ore Reserve Conversion Factors

Talison has adopted tonnage and grade factors of 100% for both TG and CG ore types, i.e. 0% dilution and 100% mining recovery. Talison is aware of the ore definition issues and consider these factors as representative of ore recovery trends. Considering the low tonnages of material mined, it is not possible to determine the recovery and dilution factors to a high degree of accuracy, but the increasing complexity of ore type definition anticipated from the 2009 mineral resource model suggests that there will be growing challenges facing grade control in identifying and blocking out ore types below the current pit floor.

BDA has reviewed the production and reconciliation data and agrees that the definition of lithium ore types in the resource model blocks from resource drilling at 50m intervals is not particularly accurate compared to the detailed grade control drilling. BDA considers that Talison's decision to use the 100% recovery and 0% dilution factors for resource blocks for use in mine design and production planning can be justified on the basis of the 2008 reconciliation and the review of additional ore availability, although it is possible that there may be a declining trend in future for TG ore, due to the increasing geological complexity at depth in C3.



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**Greenbushes Lithium Operations
C3 Pit Grade Control
and Resource Model Blocks, 1200mRL**

Figure 11

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9.4 Mining Operations

Since completion of the Cornwall Pit in 2003 open cut mining has moved to the Central Lode open pits to the south of the Cornwall Pit. Lithium ore is mined from a distinct zone within the pegmatite on the hanging wall side of the C3 Pit and from the large zone within C1 pit. The mining plan for C3 involves a series of stages comprising a western cutback, southern cutback and eastern cutback; the western cutback is staged between the north and south sections to allow waste movements to be scheduled within current haulage capacity. The southern and western cutbacks are scheduled to be mined concurrently. The current final C3 pit will be approximately 230m deep, 800m north-south and 500m east-west. The mine plan for the C1 pit is presently based on the excavation of a single staged pit with the potential to extend north. The current final C1 pit will be approximately 95m deep, 500m north-south and 300m east-west.

The open pit operation currently utilises conventional mining methods with drilling and blasting both ore and waste. Within ore, the drill pattern is either 2.3m x 2.7m or 2.5m x 2.9m for 5m benches with nominal 115 mm diameter blast holes. Within the greenstone waste the drill pattern is 4.1m x 4.8m for 10m benches with nominal 127mm diameter blast holes. Emulsion explosives are used for blasting.

The load and haul fleet consists of a 120t hydraulic excavator, four 85t dump trucks (with six trucks available but requiring four trucks for most hauls) and an auxiliary fleet including front end loader, track dozer, rubber-tired dozer, water truck and grader. Ore is taken to the ROM pad where it is stockpiled according to ore type, mineralogical characteristics and grade. Tantalum ores mined as a consequence of lithium mining are either stockpiled separately or within the open pit as Talison Lithium has no rights over the tantalum ore. Waste is taken to the waste dump to the east of the pits. Combined TG and CG ore production rate is approximately 600,000tpa and total material movement is approximately 1.4Mbcm per annum.

Near the base of the Cornwall open pit there is adit access to the underground tantalum mine. The underground operation was put on care and maintenance in 2002. Subsequently the operation was restarted in 2004 due to increased demand but again placed on care and maintenance the following year. Presently Talison on behalf of Talison Greenbushes maintains the pumping system within the mine to maintain access. The southern limit of the current underground mine extends beneath the central area of the C3 pit.

Conclusions

The Greenbushes lithium operation has a LOM plan for 14 years based on the initial processing rate of 600,000tpa increasing to approximately 800,000tpa towards the end of the operation.

Mining operations are well established and mine designs are appropriate and have taken into account geotechnical recommendations. Planned mining rates are reasonable and are being achieved currently. Planned mining recovery and dilution levels of 100% and 0% respectively appear optimistic, but are in line with recent reconciliation results, and are therefore considered an acceptable basis for planning.

No significant extensions to the TG Mineral Resource or Ore Reserves are known at this time. However, there is potential for additional CG Mineral Resources to be developed.

10.0 PROCESSING

10.1 Greenbushes Lithium Plant Operations

Two lithium mineral processing plants are located adjacent to the open pits.

The two plants produce a range of lithium concentrates as shown in Table 10.1. SC6.0 comprises CG concentrates produced from the CGP and from the TGP when production of low iron concentrates is not required. The remaining four concentrates are produced from the TGP.

Table 10.1: Specifications of Talison Lithium Concentrates

Item	Products									
	SC4.8		SC6.0		SC6.4		SC7.3		SC7.5	
<i>Chemical Properties</i>										
%Li ₂ O	4.8	Min	6.0	Min	6.4	Min	7.3	Min	7.5	Min
%Fe ₂ O ₃	0.13	Max	0.8	Max	0.25	Max	0.15	Max	0.1	Max
%MnO								Max	0.05	Max
%Al ₂ O ₃							25.0	Min	25.0	Min
%SiO ₂							62.5	Min	62.5	Min
%Na ₂ O							0.35	Max	0.35	Max
%K ₂ O							0.3	Max	0.15	Max
%P ₂ O ₅							0.3	Max	0.25	Max
%CaO									0.1	Max
%TiO ₂									0.02	Max
LOI							0.5	Max	0.5	Max
Moisture %			6.0	Max	0.1	Max				
<i>Physical Properties</i>										
% +850µm	0									
% +106µm	95	Min								
% +8000µm			<0.2	Typ						
% +5600µm			<5	Typ						
% 5600/4000 µm			8							
% 4000/2000 µm			14							
% 2000/1000 µm			19							
% -1000 µm			65							
% +1000 µm					<2	Typ				
% +500 µm									0	
% +212 µm									5/6*	Max
% +125 µm							1	Max		
% +75 µm							85	Min	55/70*	Min

Note: SC is spodumene concentrate; numerals in product name indicate guaranteed Li level; Max is maximum level; Min is minimum level; Typ is typical level; *Bulk/Bagged.

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The grades of lithium concentrates reflect the relatively low lithium content of lithium minerals. Pure spodumene contains 8% Li_2O which is about twice the grade of other significant commercial sources of lithium minerals. The SC7.5 concentrate is a premium high grade concentrate comprising around 94% spodumene.

At about 4% Li_2O , Greenbushes lithium ore contains 50% spodumene and is regarded as very high grade, compared to other hard rock lithium deposits which contain about 1-2% Li_2O . The mineral suite in the ore includes quartz, sodium and potassium feldspars, micas (muscovite, biotite and lepidolite), phosphates (apatite, amblygonite and lithiophilite), minor carbonates, tantalum minerals, cassiterite and arsenic minerals.

Overall production is tailored to meet market demand and CG ore, as noted above, is processed as required through the TGP.

10.2 Plant Design

Talison considers the design of the two lithium processing plants to be commercially sensitive and the description below is restricted to generalities. However, BDA has inspected the two plants, has had access to recent production reports, and has been provided with information on the plant upgrades which are planned so that production can be progressively increased. BDA considers that the two lithium production plants will have the capacity to produce the projected tonnages of lithium product provided that the proposed upgrades are carried out as planned.

Crushing Plant

The two lithium plants receive crushed ore from a four stage crushing plant which also processes tantalum ore when required. The crushing plant comprises: a 1600mm x 2500mm Nordberg C160 jaw crusher; a Nordberg 1560 Omnicone secondary cone crusher; a Schenck 3.6m x 7.6m double deck vibrating screen fitted with a 25mm aperture upper deck and 12mm aperture lower deck; a Nordberg 1560 Omnicone tertiary cone crusher and two Nordberg HP500 quaternary cone crushers. Lower screen deck undersize is the crushing plant product and is conveyed to stockpiles for TG and CG ores. Upper deck oversize is fed to the tertiary crusher and lower deck oversize is fed to the two quaternary crushers.

Tantalum ore is not currently being processed and a portion of the spare crushing capacity can be utilised when the ore is dry by changing the lower screen deck to 6mm aperture. This enables a finer feed to be presented to the CGP, so that the crusher in that plant can be shut down.

The crushing plant generally operates at a throughput of 650 tonnes per hour ("tph") on tantalum ore and 250tph on lithium ore and has an availability of 78%, giving it an annual throughput of approximately 3.5Mtpa. About 30% of the available crushing plant operating time is required for crushing the lithium ore and this proportion may increase with time as the tonnage of lithium ore processed increases.

Technical Grade Plant

The TGP is fed with ore in which the iron content of the spodumene is sufficiently low to enable production of the SC7.5 concentrates containing less than 0.1% Fe_2O_3 .

Crushed ore is fed by front-end loader from stockpiles to a feed bin from which it is discharged at a rate of between 27 and 30tph to the wet grinding circuit. The grinding circuit comprises two ball mills (300 kilowatts ("kW") and 200kW installed power) closed by 700 μm aperture vibrating screens, which produce material ground to 80% finer than 450 μm .

Ground TG ore is treated through a series of mineral processing operations including screening, classification, gravity concentration, magnetic separation and flotation to produce the range of TG mineral concentrates. These concentrates are filtered and dried in preparation for packaging and despatch.

Concentrate scheduled for bulk shipment is stored in silos from which it is discharged into trucks for transport to Talison's storage sheds in the Bunbury area to await shipment to customers. Concentrate is also bagged in either 25kg bags or 1t or 2t bulk bags, containerised and transported to Fremantle for shipment in container vessels.

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Chemical Grade Plant

The CGP is fed with ore in which the iron content of the spodumene is too high for production of low iron concentrates. CG ore is crushed to -6mm and then processed at a rate of about 46tph through gravity concentration and flotation circuits to produce the SC6.0 CG concentrate.

Final SC6.0 concentrate is dewatered and then shipped in bulk through the port of Bunbury.

Production Capacity

In FY 2009 171kt of TG ore was processed to produce 38kt of SC7.5/7.3 concentrates and 33kt of SC4.8 concentrate and 440kt of CG ore was processed to produce 138kt of CG concentrates.

Progressive expansions are planned for future years to increase lithium concentrate production to meet the anticipated increase in global lithium consumption. The first stage will involve installation of additional grinding, flotation and dewatering capacity and the second stage will involve installation of additional classification and gravity concentration capacity.

Conclusions

The two lithium plants currently have the capacity to process about 600,000tpa of ore to produce about 260kt of lithium concentrates of a range of specifications using gravity and flotation processes. Upgrades and plant expansions are planned in order to increase the capacity of the plant to meet the anticipated increase in demand for lithium mineral concentrates. BDA considers that, provided that this work is carried out, the concentrate production projected for future years is achievable.

11.0 INFRASTRUCTURE

11.1 Site Access

Access to the Greenbushes Mine is via the sealed South Western Highway between Bunbury and Bridgetown to Greenbushes Township and via Maranup Ford Road to Greenbushes mine.

11.2 General

Currently operating infrastructure on site includes a crushing plant, two lithium processing plants, tailings disposal facilities, a laboratory, administrative offices, occupational health/safety/training offices, dedicated mines rescue area, stores, storage sheds, workshops and engineering offices. The crushing plant is owned by Talison Greenbushes and will be operated by Talison Lithium under a license agreement. Talison Greenbushes also owns primary and secondary tantalum processing facilities on the Greenbushes site which are currently on care and maintenance.

The Greenbushes mine is a major employer in the region with a workforce of 162 people, which includes a number of contractors. The workforce is characterised by a diversity of skills and knowledge. Employee training which includes skills and competency training is further enhanced having health and safety, quality management and an environmental awareness emphasis.

11.3 Water Supply

The Greenbushes operation is located in the Blackwood Valley Catchment. Water for current mineral processing is sourced from rainfall and stored in several process dams located on site, with the majority of the water used being recovered and recycled through the water circuit. Surface water quality is measured and reported on a monthly basis.

11.4 Power Supply

The Talison Lithium Group will purchase its power from Premier Power Sales Limited which is delivered to the site by Western Power's distribution system and reticulated and metered within the site by Talison. Peak demand for the lithium operation is approximately 4.3MW whilst average demand is approximately 2.4MW.

11.5 Gas Supply

Talison uses LPG fired dryers and other equipment in the plants and the laboratory. A total of approximately 890t of LPG is used by the lithium operation annually which is purchased and stored on site in bulk storage facilities.

Conclusions

The proposed infrastructure is generally adequate and appropriate to support the operation.

12.0 MINERAL TENEMENTS, ROYALTIES AND REGULATORY APPROVALS

12.1 Mineral Tenure

BDA has not undertaken legal due diligence on the status of the mineral tenements to be held by TLA, however BDA understands that a solicitor's report on these tenements is to be provided by others. The following tenement details (Table 12.1 and Figure 2) are based on information from Talison and are provided as a summary of the mineral tenements to be held and controlled by TLA, a wholly owned subsidiary of Talison Lithium.

Table 12.1: List of Mineral Tenements to be Held and Controlled by TLA

Tenement	Grant Date	Expiry Date	Area (Ha)	Holder
L01/01	19-Mar-1986	27-Dec-2026	9	TLA
M01/02	28-Dec-1984	27-Dec-2026	1000	TLA
M01/03	28-Dec-1984	27-Dec-2026	1000	TLA
M01/04	28-Dec-1984	27-Dec-2026	1000	TLA
M01/05	28-Dec-1984	27-Dec-2026	1000	TLA
M01/06	28-Dec-1984	27-Dec-2026	984.1	TLA
M01/07	28-Dec-1984	27-Dec-2026	997.1	TLA
M01/08	28-Dec-1984	27-Dec-2026	1000	TLA
M01/09	28-Dec-1984	27-Dec-2026	1000	TLA
M01/10	28-Dec-1984	27-Dec-2026	1000	TLA
M01/11	28-Dec-1984	27-Dec-2026	1000	TLA
M01/16	06-Jun-1986	05-Jun-2028	18	TLA
M01/18	28-Sep-1994	27-Sep-2015	3	TLA
G01/01	17-Nov-1986	05-Jun-2028	10	TLA
G01/02	17-Nov-1986	05-Jun-2028	10	TLA
M70/765	20-Jun-1994	19-Jun-2015	73.6	TLA
MLA70/1187	Pending	-	9.5	TLA
MLA70/1273	Pending	-	64.1	TLA
P70/1562	Pending	-	64.1	TLA

Notes: G01/01 and G01/02 are linked to Mining Lease M01/16 and are General Purpose Leases; "G" denotes General Purpose Lease; "L" denotes Miscellaneous Licence, "M" denotes Mining Lease, "MLA" denotes Mining Lease Application, "P" denotes Prospecting Licence.

The tenements include mining leases, mining lease applications, prospecting licence application, general purpose leases and miscellaneous licences. These are registered with mining registrars located in the State of Western Australia. The tenements have been surveyed and constituted under the Mining Act 1978 of Western Australia. The tenements total approximately 10,000ha and cover the historic Greenbushes tin, tantalum and current lithium mining areas. The operating lithium mining and processing plant area covers about 2,000ha comprising Mining Leases M01/06, M01/07 and M01/16. TLA will hold the mining rights for all lithium minerals on these tenements, whilst Talison Greenbushes will hold the mining rights to all minerals other than lithium through a Reserve Rights Agreement. Talison Lithium plans in future to lodge new conditional surrenders (i.e. General Purpose Lease applications) of those areas covering the tantalum plants and the crusher as well as sufficient area required by Talison Greenbushes for its tantalum operations.

TLA will hold no exploration tenements in the Greenbushes area as these have been converted previously to mining leases.

Mining Leases M01/06, M01/07 and M01/16 contain the entire Measured, Indicated and Inferred Mineral Resource; all lithium mining activities, including tailings storage, processing plant, open pits and waste rock dumps, are within the boundaries of Mining Leases M01/06, M01/07 and M01/16 and General Purpose Leases G01/01 and G01/02.

Mineral Lease Application MLA70/1273 is planned to be withdrawn pending approval of Prospecting Licence P70/1562, replacing Mineral Lease M70/481 which expired 31 December 2007, and MLA1187, which is also pending, replacing M70/449 which has also expired.

In order to keep the current granted tenements in good standing, TLA will be required to spend a yearly minimum expenditure of A\$1.015M for all of the tenements. Annual rates of A\$13,861 and rent of A\$151,386 are also payable to the Shire of Bridgetown-Greenbushes and the WA Department of Mines and Petroleum ("DMP"), respectively. Further, a condition of grant of a mining lease is the lodging of environmental bonds. Currently the total of bonds lodged with DMP for the Greenbushes tenements to be held by TLA is A\$3.86M.

Other Surrounding Mineral Tenements

There are four surrounding tenements in which no member of the Talison Lithium Group nor Talison Greenbushes have any interests. These tenements are Exploration Licence applications by companies not associated with Talison Lithium and Talison Greenbushes and are pending applications for the exploration of bauxite and diamonds. The four tenements are E70/3313, E70/3407, E70/3422 and E70/3473.

12.2 Royalties

In Western Australia, a royalty of 5% of the royalty value of concentrate sales is payable for lithium mineral production as prescribed under the Mining Act 1978 (WA). The royalty value is the difference between the gross invoice value of the sale and the allowable deductions on the sale. The gross invoice value of the sale is the Australian dollar value obtained by multiplying the amount of the mineral sold by the price of the mineral as shown in the invoice. Allowable deductions are any costs in Australian dollars incurred for transport of the mineral quantity by the seller after the shipment date. For minerals exported from Australia, the shipment date is deemed to be the date on which the ship or aircraft transporting the minerals first leaves port in WA.

Talison has advised BDA that no private royalties apply to the Greenbushes property.

12.3 Regulatory Approvals

Mining and mineral processing activities at the Greenbushes Lithium project operate under a number of State government approvals under the WA Environmental Protection Act 1986 (WA) ("Environmental Protection Act") and Mining Act 1978 (WA) ("Mining Act").

The Greenbushes mine is operated under a number of approvals, and variations to these approvals have been granted over a period of time. The mining Notice of Intent ("NOI") dated April 1991 (Gwalia Consolidated, 1991) is the main development approval which provides for current lithium and tantalum production activities at Greenbushes. A subsequent mining NOI dated August 2000 (Department of Minerals and Energy, 2000) was approved for underground mining on Mining Lease 01/06.

Various Works Approvals under the Environmental Protection Act 1986 have also been granted over time to provide for various process plant upgrades. Greenbushes also operates under an Environment Protection Licence (No. L4247/1991/11) which is issued by the DEC under the Environmental Protection Act.

Talison has achieved accreditation by Bureau Veritas for International Standards ISO 9001:2000 Quality Management System Requirements and ISO 14001:2004 Environmental Management System Requirements.

Conclusions

BDA has not undertaken a title search or legal due diligence on the status of the tenements or regulatory approvals held by TLA. BDA is advised by Talison that there are no material tenement issues relating to title to any of Greenbushes's assets. BDA has completed a review of tenements and finds no reason to suspect that the information provided by Talison Lithium is not accurate or factual.

The approvals process for gaining variations to the original development approvals at Greenbushes appears relatively straightforward and all necessary approvals appear valid and appropriate for the operations. BDA can foresee no reason why future development approval applications or variations would not be forthcoming.

13.0 ENVIRONMENTAL AND COMMUNITY ISSUES

BDA has reviewed those environmental aspects and social/community issues which are considered a material part of the project and which may have significant implications for the ongoing viability of the operation. The issues discussed below cover the main environmental and social risk areas identified from BDA's review of the project's documentation and a site visit to the Talison Lithium and Greenbushes project area.

13.1 Topography, Elevation and Vegetation

The Greenbushes site is situated approximately 300m AMSL. The operations area lies on the Darling Plateau and is dominated by a broad ridgeline which runs from the Greenbushes township (310m) towards the southeast (270m) with the open pits located along this ridgeline (300m). The current operating waste rock dump is located on an east facing hill slope which descends to 266m and adjoins the South Western Highway, whilst the process plant area is located on the west facing hill slope which descends to 245m. The tailings storage areas are located south of the mining and plant areas at 265m

The Greenbushes area has a temperate climate that is described as mild Mediterranean, with distinct summer and winter seasons. The mean minimum temperatures range from 4°C to 12°C, whilst the mean maximum temperatures range from 16°C to 30°C. The hottest month is January (mean maximum temperature 30°C), whilst the coldest month is August (mean minimum temperature 4°C).

There is a distinct rainfall pattern, with most of the rain occurring between May and October. The area averages about 970mm per annum with a range of about 610mm to 1,680mm. The evaporation rate for the area is calculated at approximately 1,190mm per annum.

The area is surrounded by vegetation broadly described as open Jarrah/Marri forest with a comparatively open understorey.

Mining and processing operations at Greenbushes operate throughout the year.

13.2 Environmental Liabilities

Talison Lithium's Greenbushes mining leases to be held by TLA cover State Forest (managed by the DEC) and privately owned land near Greenbushes. Mining in the area has been carried out for over 100 years leaving a legacy of areas that current operators are required to rehabilitate. Rehabilitation programmes for historical and inactive mining sites are being managed with the assistance of local regulators. Relinquishment of rehabilitation liability criteria have been established with regulators and require the Talison Lithium Group to re-establish a self-sustaining native forest whilst maintaining recreation, conservation, landscape and hydrology objectives.

Talison is finalising the relinquishment of rehabilitation liability criteria for approximately 650ha of rehabilitated mine workings with the intent of returning these areas to be managed as part of State Forest. Rehabilitation is monitored annually by assessing the variety of species and the density of plants growing in the area.

Each year as part of its annual environmental reporting to regulators, TLA will be required to calculate site mine closure costs. The closure (rehabilitation liability) cost estimate for 2009 is A\$15.64M based on the 2008 disturbed areas totalling 1,804ha covering infrastructure areas, tailings storage facilities, overburden and waste rock dumps and open pits as reported in the 2008-09 Annual Environmental Review Report (Talison, 2009).

13.3 Waste Rock Storage

The site's main waste rock dump is located immediately east of the open pits and is an approved facility. The total waste rock dump capacity at 30 June 2009 is 10.9Mlcm and is sufficient for the waste removal from the open pits in the LOM plan based on the Ore Reserves for the lithium operations. On commencement of tantalum operations by Tantalum Greenbushes, TLA and Talison Greenbushes will agree on the cost of any waste dump expansions to meet joint future requirements. Any capital cost in expanding the dumps will likely be offset by the contractor unit cost benefits (i.e. reductions) from the increased joint volume movement.

13.4 Tailing Storage Facilities

Tailings are stored on site in tailings storage facilities TSF1, TSF 2 and TSF 3. These three TSFs are located to the south of the plant with subaerial deposition from the peripheral embankments; water released from the tailings is returned to the plant through a centrally located pump-out decant.

TSF 2, the latest storage facility, was commissioned in 2006. At present TSF 2 provides adequate capacity and beaching area without the need to also operate TSF 1. Current capacity of TSF 1 is 3.17Mlcm, whilst TSF 2 capacity is 2.6Mlcm and can be increased to 6.77Mlcm by raising the embankment walls by 15m. These capacities are sufficient for the LOM plan based on the Ore Reserves for the lithium operations. Further increases in the height of both TSF 1 and 2 are allowable under the current approval.

TSF 3 is a small storage which was previously associated with the secondary processing operations. No tailings have been deposited recently and final closure options are under review.

13.5 Environmental Management

Talison's Greenbushes operation has stringent environmental operating conditions which are managed through an Environmental Management System ("EMS") which is certified under ISO 14001:2004 Environmental Management Standards.

Water for processing is sourced from rainfall and stored in several site process dams, with the majority of the water used being recovered and recycled throughout the site. Surface water quality is measured and reported on a monthly basis. Water quality monitoring bores located around the process plant and tailing dams are monitored quarterly to ensure the operation has minimal impact on ground water quality.

13.6 Water Management

Water management on site aims to recycle and reuse as much water as possible. The main process water flows circulate between the tantalum primary processing plant and lithium plants, the TSF and Austin's/Southampton Dams. Additional flows exist between other constructed water storage facilities (including Cowan Brook Dam, the site's largest water storage), the tantalum secondary plant and the mining pits.

13.7 Environmental Bond

A statutory requirement of the DMP is the deposit of a site rehabilitation bond prior to the commencement of mining operations. This bond is largely determined by the area of site disturbance and rehabilitation unit costs. The bond is eventually discharged by approval of the DMP at the completion of mining, site decommissioning and final rehabilitation. The current environmental bond quantum calculated for the Talison mine tenements by the DMP is A\$3.86M. Talison has lodged this bond amount with the DMP.

13.8 Plant Decommissioning and Site Rehabilitation Plan

The objective for closure, decommissioning and reclamation is to ensure, as far as practicable, that reclamation achieves a stable and functioning landform that is consistent with the surrounding landscape and other environmental values.

Adequate closure planning is required in all phases of project development to ensure that Talison and its key stakeholders are fully aware of the requirements of closure and that appropriate provisions are made to ensure that decommissioning and rehabilitation is completed. Talison has calculated an estimated 2009 closure cost of A\$15.64M based on the current site disturbance documented in the 2008-09 Annual Environmental Review Report.

There are areas of historic mining disturbances of which about half the area is subject to hand-back negotiations with regulators which are expected to be completed within two years. Of the total 1,800ha disturbed by mining it is expected that 1,200ha will be required to be excised from the State Forest. An appropriate provision to purchase an equivalent area of land to exchange with the state has been included in the closure cost estimate.

13.9 Social and Community Issues

Talison maintains a close and co-operative relationship with the local community. This includes the provision of financial and other support to community groups and participation in local community activities.

Conclusions

BDA has reviewed those environmental aspects which are considered a material part of the project and which may have significant implications for ongoing mine operations, costs and timing, with particular reference to the TSFs and mine closure and rehabilitation estimates.

Based on the information provided by Talison and from the site visit, BDA considers that the strategies for environmental protection, pollution control and monitoring are appropriate. The ISO 14001 Environmental Management Systems deployed at Greenbushes provide an excellent environmental management base, setting out the numerous statutory obligations, policy statements and management objectives and targets, and standard operating procedures.

BDA has examined the LOM Working Closure and Rehabilitation Plan and associated cost estimation and considers it appropriate at the current stage of planning for closure. The determination of closure costs is consistent with the LOM Business Plan.

The socio-economic benefits which positively impact on the Greenbushes community are an important driver to ensuring continuing community support for mining in the area.

14.0 PRODUCTION SCHEDULE

The production schedule is based on the financial model provided by Talison "Lithium Modelv24.xls". A summary is shown in Table 14.1. The mine schedule has total mine production of 1.4Mbcm per annum ("Mbcmpa") reducing to 1.0Mbcmpa from 2013 to 2017 before dropping to around 0.4Mbcmpa for the last four years of the LOM.

Assumptions and Production Profile

Over the mine life the strip ratio is projected to average 2.3:1 (waste:ore).

The mining contractor is responsible for ore and waste mining including the drill and blasting of all material mined. The current mine contractor is relatively new to site but the personnel and equipment have operated at site for several years for the previous contracting company which sold all equipment to the new owner and transferred the staff. Talison has indicated the production targets are being met.

The main production source is the C3 pit; CG ore type can be mined from both C1 and C3 pit while TG ore type is limited to the C3 pit. The increasing complexity with depth of TG ore within the CG ore in the C3 pit may affect TG ore production as the C3 pit advances. BDA notes the need for improved grade control to minimise the effect of the complexity.

Annual tonnage of ore milled and concentrates produced remain constant for the next five years with approximately 600,000tpa processed and around 275,000tpa of concentrate produced. Annual tonnage of ore processed is projected to increase from 2015 to 2020 in response to an anticipated increase in demand for lithium chemicals reaching approximately 800,000tpa processed and 400,000tpa of concentrate produced.

BDA considers that the projected plant performance is reasonable provided that the capital projects designed to increase the capacity of the plant and to improve its efficiency are carried out.

Table 14.1: Talison Lithium Operation – Projected Production Schedule

Item	Unit	Financial Year												Total
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	21-24	
Ore Mined	Mbcm	0.21	0.22	0.23	0.22	0.24	0.23	0.26	0.26	0.30	0.27	0.33	0.96	3.75
Waste Mined	Mbcm	1.21	1.20	0.94	0.78	0.76	0.77	0.74	0.74	0.50	0.53	0.10	0.29	8.54
Total Mined	Mbcm	1.42	1.42	1.18	1.00	1.00	1.00	1.00	1.00	0.80	0.80	0.42	1.25	12.29
Strip Ratio	W:O	5.7	5.4	4.1	3.5	3.1	3.3	2.9	2.8	1.6	1.9	0.3	0.3	2.3
Ore Mined	kt	561	583	613	581	641	619	679	692	798	723	868	2,530	9,889
Ore Processed	kt	568	598	599	599	599	637	667	700	757	780	840	2,650	9,996
Conc. Produced	kt	260	275	277	277	277	309	324	340	369	380	412	1,295	4,795

Note: "W" = waste, "O" = ore

Conclusions on the Assumptions

Mining Volumes: BDA considers that the mine contractor's capacity can meet the planned production schedule, if equipment performance is maintained.

Ore Production: CG ore type can be mined from both C1 and C3 pit while TG ore type is limited to C3 pit. While mine production risk is considered low there is some risk of TG ore type production being below planned levels due to the increasing complexity with depth of TG ore within the CG ore in C3 pit.

Process Production: Achievement of the planned throughput and concentrate production targets relies on implementation of plant expansion and improvement projects. Current performance is consistent with the targets for 2010 and 2011.

BDA considers the projected production schedule and the underlying assumptions to be reasonable.

15.0 CAPITAL COSTS

Total capital expenditure in FY2009 was A\$12M, most of which was used to upgrade and expand the TGP and the CGP.

Capital expenditure of A\$52M is forecast to be expended over the LOM. The majority of this expenditure will be used to expand production in the lithium minerals plant to meet forecast demand. The three staged program (costing A\$19M, A\$5M, and A\$10M respectively) will increase the plant's nameplate production capacity from about 260,000tpa to over 400,000tpa. A breakdown of the proposed capital expenditure is presented in Table 15.1.

Table 15.1: Talison Lithium- Forecast Capital Expenditure

Activity	LOM Total (A\$M)
Mine Development	1
Plant Expansions	34
Sustaining Capital	17
Total	52

Conclusions

Projected capital expenditure in the plant area is modest and will be undertaken as demand forecasts warrant expansion of the process plants. The current capital programme is based on Talison's view of lithium demand.

BDA considers the capital costs and the underlying assumptions to be reasonable.

16.0 OPERATING COSTS

A summary of the LOM average operating costs is listed in Table 16.1. Talison has provided details of the operating costs which have been reviewed by BDA for this report but only summary costs are presented for confidentiality reasons. The costs are consistent with the actual costs achieved in FY2009, with the exception that selling expenses are forecast to be lower in FY2010 than in FY2009 due to the effect of the global economic slowdown on ocean freight rates.

Table 16.1: Average LOM Operating Costs for the Talison Lithium Project

Activity	Unit	Unit Cost
Mining	A\$/t ore mined	26
Processing	A\$/t ore processed	33
G&A	A\$/t ore processed	5
Selling Expenses	A\$/t product	82

Note: costs are in real 2009 dollar terms; LOM selling costs are approximately A\$40/t processed giving total LOM operating costs of approximately A\$100/t processed.

Assumptions

Estimated mining costs vary between A\$17-39/t of ore, depending on the waste to ore strip ratio, over the life of mine. This compares to mining costs of A\$40/t in 2009 where the strip ratio was similar to 2010 at 5.7:1. Major mine operating costs are contract mining costs for drill & blast and load & haul activities and are based on the current mine contract. Cost estimates reflect the contractual unit rates, excluding escalation. BDA considers there is some risk from cost input increases including fuel and labour costs but the estimates are a reasonable guide to likely mine costs. Other mine costs reflect recent historical costs and BDA considers have been appropriately prepared.

Processing costs inclusive of crushing average A\$33/t over the life of mine, decreasing from A\$35/t in 2010 to A\$31/t in 2020. The operating cost projected for 2010 is consistent with the A\$34/t in 2009. The reduction in unit plant operating cost from 2010 to 2020 is due to the progressive increases in the annual tonnage of ore milled over the period.

Administration costs are projected to remain constant over the life of the operation at around A\$5/t processed. Royalties increase as production and prices received for lithium products increase over the life of the operation.

Talison projects that the average unit cost of production of lithium product over the period from 2010 to 2020 will fall by around 20% due to a reducing waste to ore strip ratio and the improvements in productivity that are planned with the expansion of the plants.

Selling expenses include packaging, land transport, storage, ship loading, royalties and marketing development costs as well as shipping freight costs. These costs are projected to increase relatively rapidly from the levels to which they fell during the global financial crisis of 2008-09 and then to increase at about 5% per annum from 2012 to 2020. BDA considers that the proposed administration, selling and royalty costs are reasonable.

Conclusions on the Assumptions

Mining Costs: Mine costs are forecast to drop as the stripping ratio falls although unit costs will increase as the pits become deeper. There is some potential for escalation of cost inputs including fuel and labour costs.

Processing Costs: Unit process operating costs are projected to decrease over the LOM due to increases in throughput and in plant efficiency. The process operating costs are considered generally reasonable by BDA but rely on modifications to the plant being carried out progressively over the next ten years of operations to increase plant throughput and to improve product yield.

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Total Operating Costs: Operating costs are projected to increase by about 30% from 2010 to 2020; mine costs are forecast to drop as the stripping ratio falls over this period but this will be offset by increases in processing, selling and royalty costs.

BDA considers that the projections for total operating costs over the LOM, and the assumptions from which these are derived, are reasonable.

17.0 STATEMENT OF CAPABILITY

This report has been prepared by Peter Ingham, General Manager Mining, together with Mr Ian White, Mr Dan Greig and Mr Adrian Brett, Senior Associates and reviewed by Mr Malcolm Hancock and Mr John McIntyre, Executive Directors of Behre Dolbear Australia Pty Limited.

Behre Dolbear has offices in Denver, New York, Toronto, Vancouver, Hong Kong, London, Sydney, Guadalajara and Santiago. The parent company, Behre Dolbear & Company Inc., was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports and strategic planning as well as technical geological, mining and process consulting.

The principal consultants engaged in the review on behalf of BDA are as follows:

Mr Malcolm Hancock (BA, MA, FAusIMM, FGS, MIMM, MGSA, MMICA) is Executive Director of BDA and a geologist with over 30 years experience of exploration and mining projects principally in Australia, Africa and South East Asia. He has extensive experience in the areas of resource/reserve estimation, reconciliation, project feasibility and review, independent expert and due diligence reports, mine geology and mining operations. He has been involved in the feasibility, construction, and commissioning of several mining operations. He has worked on both open pit and underground mines.

Mr John McIntyre (BEng. (Mining) Hon, FAusIMM, MMICA, CPMin) is Managing Director of BDA and a mining engineer who has been involved in the mining industry for more than 30 years, with operational and management experience in base metals, gold and coal. He has been involved in numerous mining projects and operations, feasibility studies and technical and operational reviews in Australia, West Africa, New Zealand, North and South America, PNG and South East Asia.

Mr Dan Greig (BSc (Hons) Geology, MAIG) is a Senior Consultant for BDA and a graduate geologist with over 35 years experience in the mineral industry in Africa, Australia, SE Asia, Europe, the USA and South America. His experience includes a broad range of activities from project generation and grass-roots exploration, detailed drilling programmes, project evaluation and acquisition, resource estimation and feasibility studies and mine development. Specialities include QA/QC evaluation of resource databases for reporting under the JORC Code and Canadian Instrument 43-101. He has experience in a range of commodities including gold, copper, nickel, mineral sands and uranium.

Mr Ian White (MSc, BSc (Hon), DIC, MAusIMM) is a Senior Associate of BDA with more than 25 years experience in the Australian mining industry. He has held senior management positions in operating mines, and has been involved in plant design and optimisation, process design testwork, feasibility studies and plant commissioning and project valuation. He is experienced in CIP/CIL technology, flotation, gravity separation, heap leaching, SX/EW, comminution, magnetic separation and pelletising. He has worked with a range of commodities including gold, copper, iron ore and base metals.

Mr Peter Ingham (BSc (Min), M.Sc., DIC, GDipAppFin (Sec Inst), CEng, FAusIMM, MIMMM) is General Manager Mining of BDA and is a graduate mining engineer with more than 25 years in the mining industry in Europe, Africa, Australia and Asia. His experience includes operations management, mining contract management, strategic planning, project assessment and acquisition, cost estimation and operational audits and trouble-shooting. He is experienced in a range of commodities, including copper, nickel, base metals, gold and platinum, in both surface and underground mining.

Mr Adrian Brett (BSc (Hon) Geol., M.Sc., M.Envir.Law, MAusIMM) is a Senior Associate of BDA with more than 25 years experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations and Australian government agencies. He has completed assignments in Australia, Indonesia, Laos, Myanmar, Thailand, the Philippines, Africa and South America.

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18.0 STATEMENT OF INDEPENDENCE

Neither the principals nor associates of BDA have any material interest or entitlement in the securities or assets of Talison Lithium. BDA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

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19.0 LIMITATIONS AND CONSENT

This assessment has been based on data, reports and other information made available to BDA by Talison Lithium and referred to in this report. BDA has been advised that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to Talison Lithium and its associates for comment as to any errors of fact, omissions or incorrect assumptions.

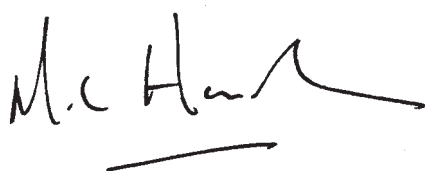
BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various technical aspects. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations reasonable.

BDA does not accept any liability other than its statutory liability to any individual, organisation or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein. With respect to the BDA report and use thereof, Talison Lithium agrees to indemnify and hold harmless BDA, its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

The report is provided to the Directors of Talison Lithium for the purpose of assisting them in assessing the technical issues and associated risks of the project and for use in the ASX listing of the company via an IPO; it should not be used or relied upon for any other purpose. The report does not constitute a technical or legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without BDA's written consent to the form and context in which it appears.

Yours faithfully

BEHRE DOLBEAR AUSTRALIA PTY LTD



Malcolm C Hancock
Executive Director – BDA



John S McIntyre
Managing Director – BDA

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APPENDIX 1 – GLOSSARY

Term/Abbreviation	Description
AAS	Atomic Absorption Spectroscopy
acQuire	acQuire Technology Solutions Pty Limited
AIG	Australian Institute of Geoscientists
Al ₂ O ₃	Aluminium Oxide (also called Alumina)
AMSL	Above Mean Sea Level
As	Arsenic
As ₂ O ₃	Arsenic Oxide
AusIMM	Australasian Institute of Mining and Metallurgy
AWOR	Analytical Work Order Number
ASX	Australian Securities Exchange
B	Boron
BAD	Formula named after author Bjorn A Dybdahl
BaO	Barium Oxide
bcm	Bank Cubic Metre (in situ volume)
BDA	Behre Dolbear Australia Pty Limited
BDCI	Behre Dolbear & Company, Inc.
Be	Beryllium
Bi ₂ O ₃	Bismuth Oxide
BMB	Balingup Metamorphic Belt
C1 Pit	Central Lode 1 Open Pit
C3 Pit	Central Lode 3 Open Pit
CaO	Calcium Oxide (also called Lime)
CeO ₂	Cerium Oxide
cfm	Cubic Feet Per Minute
CG	Chemical Grade
CGP	Chemical Grade Plant
CIM Standards	Canadian National Instrument 43-101 and the Guidelines Published by the Council of the Canadian Institute of Mining, Metallurgy and Petroleum
CoO	Cobalt Oxide
Cr ₂ O ₃	Chromium Oxide
Cs	Caesium
Cs ₂ O	Caesium Oxide
csv	File name – comma-separated values
CuO	Copper Oxide
DEC	WA Department of Environment and Conservation

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Term/Abbreviation	Description
DMP	WA Department of Minerals and Petroleum
EMS	Environmental Management System
Environmental Protection Act	Environmental Protection Act 1986 (WA)
F	Fluorine
Fe ₂ O ₃	Ferric Oxide
FOB	Free On Board
FY	Financial Year
Ga	Gallium
ha	Hectare
HfO ₂	Hafnium Oxide
IPO	Initial Public Offering
ISO	International Standards Organisation
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* as Prepared by the Joint Ore Reserves Committee of the AusIMM, AIG, and the MCA
K	Potassium
K ₂ O	Potassium Oxide
Kb	Kilobar
km	Kilometre
kg	Kilogram
km ²	Square Kilometre
kt	Thousand Tonnes
kW	Kilowatt
La ₂ O ₃	Lanthanum Oxide
lcm	Loose Cubic Metre
LCE	Lithium Carbonate Equivalent
Li ₂ O	Lithium Oxide
LOM	Life of Mine
LPG	Liquefied Petroleum Gas
m	Metre
M	Million
m ³	Cubic Metre
Ma	Million Years
Mbcmpa	Million Bank Cubic Metres Per Annum
MCA	Minerals Council of Australia
MgO	Magnesium Oxide (also called Magnesia)
µm	Micron (m x 10 ⁻⁶)

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Term/Abbreviation	Description
MnO	Manganese Oxide
mm	Millimetre
Mt	Million Tonnes
MW	Megawatt
Na	Sodium
Na ₂ O	Sodium Oxide
Nb	Niobium
Nb ₂ O ₅	Niobium Oxide
NI 43-101	Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects
NiO	Nickel Oxide
NOI	Mining Notice of Intent
OK	Ordinary Kriging
P	Phosphorous
P ₂ O ₅	Phosphorous Oxide
PbO	Lead Oxide
psi	Pounds per Square Inch
ppm	Parts Per Million
QA/QC	Quality Assurance/ Quality Control
QG	Quantitative Group Pty Limited
QKNA	Quantitative Kriging Neighbourhood Analysis
Rb	Rubidium
Rb ₂ O	Rubidium Oxide
RC	Reverse Circulation
RL	Reduced Level
ROM	Run of Mine
Sb ₂ O ₃	Antimony Oxide
Sc	Scandium
SC	Spodumene Concentrate
SG	Specific Gravity
SiO ₂	Silicon Dioxide (Silica)
Sn	Tin
SnO ₂	Tin Oxide
SO ₃	Sulphur Tri-Oxide
SrO	Strontium Oxide
Surpac	Gemcom Surpac Software Company

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Term/Abbreviation	Description
t	Tonne
t/m ³	Tonnes per Cubic Metre
Ta	Tantalum
Ta ₂ O ₅	Tantalum Oxide
Talison	Talison Minerals Pty Limited
Talison Greenbushes	Talison Greenbushes Pty Limited
Talison Lithium	Talison Lithium Limited
Talison Services	Talison Services Pty Limited
TG	Technical Grade
TGP	Technical Grade Plant
Th	Thorium
ThO ₂	Thorium Oxide
TiO ₂	Titanium Dioxide (also called Titania)
TAL	Talison Lithium (Australia) Pty Limited
tpa	Tonnes Per Annum
tph	Tonnes Per Hour
TSF	Tailings Storage Facility
U	Uranium
U ₃ O ₈	Uranium Oxide
Ultra Trace	Ultra Trace Pty Limited
V ₂ O ₅	Vanadium Oxide
Valmin Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
WA	Western Australia
WO ₃	Tungsten Oxide
XRF	X-Ray Fluorescence
Y ₂ O ₃	Yttrium Oxide
ZnO	Zinc Oxide
Zr	Zirconium
ZrO ₂	Zircon Oxide

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Solicitor's report

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23 November 2009

The Directors
Talisson Lithium Limited
Level 4, 37 St Georges Terrace
Perth, WA 6000

Clayton Utz
Lawyers
QV1 Building
250 St. Georges Terrace
Perth WA 6000
Australia

GPO Box P1214
Perth WA 6844

T +61 8 9426 8000
F +61 8 9481 3095
www.claytonutz.com

Our reference: 13870/60030/80097514

Dear Sirs

Solicitor's Report - Mining Tenements and Tenement Applications

We are and have been acting as Australian legal advisers to Talison Lithium Limited ACN 140 122 078 (the **Company** or **Talison**) in connection with the application for admission of the Company to the Australian Securities Exchange (**ASX**). The Company proposes to raise funds by offering to the public and institutional investors securities in the Company (**Offer**).

This Report is prepared for inclusion in an Australian prospectus (**Prospectus**) to be issued by the Company in connection with the Offer. This Report is based on, and subject to, the assumptions and qualifications set out in Section 7, and as otherwise specified elsewhere in this Report. Words and phrases not defined in this Report have the meaning given to them in the Prospectus.

1. Tenements

This Report summarises the status of the following mining tenements and mining tenement applications granted or applied for under the Mining Act 1978 (WA) (**Mining Act**) in respect of which the Company and its wholly owned subsidiary, Talison Lithium Australia Pty Ltd ACN 139 401 308 (**TLA**), have registered and unregistered interests (the **Tenements**):

- (a) mining leases M/01/02, M01/03, M01/04, M01/05, M01/06, M01/07, M01/08, M01/09, M01/10, M01/11, M01/16, M01/18 and M70/765 (collectively the **Mining Leases**);
- (b) general purpose leases G01/01 and G01/02 (collectively the **General Purpose Leases**);
- (c) miscellaneous licence L01/01 (the **Miscellaneous Licence**);
- (d) applications M70/1273 and M70/1187 (collectively the **Mining Lease Applications**); and
- (e) prospecting licence application P70/1562 (the **Prospecting Licence Application**).

2. Searches

For the Purposes of this Report we have reviewed:

- (a) searches of the register (**Tenement Register**) maintained by the Western Australian Department of Mines and Petroleum (**DMP**) in relation to the Tenements, which were

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23 November 2009 - The Directors, Talison Lithium Limited

commissioned by us and conducted by DMP on 19 November 2009 (**Tenement Searches**);

- (b) searches of the Tengraph database maintained by DMP in connection with land interests held by any third party in the land underlying the Tenements, which were commissioned by us and conducted by DMP on 15 September 2009 (**Quick Appraisal Searches**);
- (c) searches of the following registers maintained by the National Native Title Tribunal (**NNTT**) in relation to the Tenements, which were commissioned by us and conducted by the Tribunal on 16 September 2009 (**Native Title Searches**):
 - A. the Register of Native Title Claims;
 - B. The National Native Title Register; and
 - C. the Register of Indigenous Land Use Agreements; and
- (a) searches of the register of Aboriginal sites maintained by the Western Australian Department of Indigenous Affairs (**DIA**) in relation to the Tenements, conducted by us on 15 September 2009 (**Aboriginal Site Searches**),

(collectively, the **Searches**).

3. Pre-Offering Reorganisation and Material Contracts

(a) Material Contracts

We understand that as part of the Pre-Offering Reorganisation referred to in Section 5.9 of the Prospectus Talison Greenbushes will, subject to the consent of the Minister and FIRB Approval, transfer all its lithium assets including the Tenements to TLA pursuant to the terms and conditions contained in the material contracts affecting the Tenements, as identified to us by the Company and being the Lithium Business Sale Agreement, the GPL Secondary Sales Agreement and the Advanced Minerals Sale Agreement, the terms of which are summarised in section 12 of the Prospectus (**Material Contracts**). For the purposes of this Report we have also reviewed the Material Contracts.

(b) Registration of Instruments under the Mining Act

Certain instruments are able to be registered against mining tenements under the Mining Act, being mortgages and transfers of legal interests in mining tenements (defined in the Mining Act as "dealings") and caveats in respect of interests in mining tenements or agreements to which the tenement holder is a party and which are connected with the holder's interest in the mining tenement. Previously the Mining Act allowed for a regime of registration of a wider number of agreements with respect to interests in tenements as "dealings", and it was then common practice in Western Australia for a party to register such agreements against a mining tenement. Under the existing (amended) regime, although it is now common practice in Western Australia for a party with an interest in a mining title to register either a mortgage or a caveat (as appropriate) against a mining title to protect such interest, there is no way to ensure that every such interest is the subject of a registered caveat or mortgage. Further, as indicated in section 7.1(j), there may be agreements noted on the Register that were registered under the prior regime and it is not possible to determine whether or not a particular agreement noted on the Tenement Register contains provisions that have ongoing (rather than merely historical) effect without obtaining and reviewing such

agreement. However, the Mining Act does not expressly state that registration of these instruments creates an indefeasible right on behalf of the holder of that interest. Section 116(2) of the Mining Act essentially provides that the grant or renewal of a tenement has the effect of curing any irregularity in the application or in the proceedings previous to the grant or renewal of that tenement. Further, a party dealing with the registered owner of a tenement is not required to enquire as to any unregistered interests that may apply in relation to it.

We note that, as at the date of the Tenement Searches, no instruments have been lodged by the Company under the Mining Act to protect the Company's interests as the purchaser of the relevant holder's interest in any of the Tenements.

4. Summary of results of the Searches and of the Company's interests in the Tenements

As a result of the Searches, and subject to the assumptions, qualifications and other statements set out in this Report, we are satisfied that the information and particulars included in this Report in relation to the Tenements are an accurate statement of the status of the Tenements as at the date that the Searches were conducted.

Schedule 1 summarises the status of the Tenements (as recorded on the Tenement Register on the date of the Tenement Searches and Quick Appraisal Searches), and the native title and Aboriginal heritage interests relating to the Tenements (as evidenced by the Native Title Searches and Aboriginal Site Searches).

4.1 Granted Tenements

(a) Ownership

The Searches indicate that Talison Greenbushes Limited ACN 125 585 284 (**Talison Greenbushes**) is the registered holder of the Mining Leases, the General Purpose Leases and the Miscellaneous Licence as set out in Schedule 1. General information regarding the nature of these tenements is set out in section 5.

Each of the Mining Leases, the General Purpose Leases and the Miscellaneous Licence (**Granted Tenements**) are to be transferred by Talison Greenbushes to TLA in accordance with the terms of the Lithium Business Sale Agreement as set out in section 12 of the Prospectus. The interest of TLA in each of these Granted Tenements is, therefore, contractual in nature and subject to the enforceability of the Material Contracts and to the parties to such Material Contracts fulfilling their terms. Further, transfers of the Granted Tenements will require the consent of the Minister responsible for the administration of the Mining Act (**Minister**). We are unable to express an opinion as to whether (or not) and when the Minister will approve the transfer of such Granted Tenements.

Portions of the Granted Tenements will be conditionally surrendered by TLA and ultimately transferred to Talison Greenbushes in accordance with the terms of the Lithium Business Sale Agreement and the GPL Secondary Sale Agreement as outlined in section 12 of the Prospectus.

(b) Encumbrances

(i) Mortgage

The Tenement Searches indicate that on or around 21 September 2007 the Westpac Mortgage (as summarised at section 12 of the Prospectus) was

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registered (registration number Mortgage 274385) as against each of the Granted Tenements (as noted in Schedule 1).

(ii) *Performance bonds and securities*

Performance bonds and securities in relation to mining tenements in Western Australia are executed in favour of the Minister for due compliance with the environmental conditions of the respective tenements. The bonds provide the State with guaranteed access to funds so that the necessary rehabilitation can be undertaken on the mining tenements in cases where the tenement holder fails to comply with the environmental conditions placed on their mining tenements. Bonds and securities must be replaced by any transferee of a tenement as part of the transfer process.

The Tenement Searches indicate that the following Granted Tenements are subject to unconditional performance bonds (as set out in Schedule 1 and in compliance with the terms and conditions of such Granted Tenements):

- A. Mining Leases M01/03 (for A\$16,500), M01/06 (for A\$2,593,000) and M1/07 (for A\$1,122,000); and
- B. General Purpose Leases G01/01 (for A\$15,000) and G01/02 (for A\$112,000).

Additionally, the Tenement Searches indicate that securities have been lodged with respect to Mining Leases M01/10 (for A\$5,000) and M01/16 (for A\$6,000).

(c) **Rent & Expenditure**

(i) *Rent*

The holder of a mining tenement must pay rent at the rates and times prescribed in the Mining Regulations 1981 (WA). The rates payable depend on the type of tenement. Rent is payable in respect of mining tenements annually in advance.

The Tenement Searches indicate that as at the date of the Tenement Searches the rental commitments on the Tenements had been paid in full.

(ii) *Expenditure*

Expenditure conditions are prescribed in relation to each year of the term of mining leases and prospecting licences. The status of expenditure on the Tenements according to the Tenement Searches is indicated in Schedule 1 and that, as at that date prescribed expenditure requirements have been met (or exemptions have been granted) in relation to all of the Tenements other than Mining Lease M70/765 (**M70/765**). The Tenement Searches indicate that, as at the date of such Tenement Searches, expenditure requirements were not met, or an expenditure report has not yet been lodged, for M70/765.

Section 102 of the Mining Act provides that the holder of a mining tenement may be granted a certificate of exemption which totally or partially exempts the mining tenement from the relevant expenditure condition. The Tenement Searches indicate that an application for a

certificate of exemption was lodged on 14 August 2009 with respect to M70/765 but has not yet been granted. If the application for a certificate of exemption is not granted, M70/765 is liable to forfeiture. Although in our experience such applications are generally granted, we express no opinion as to whether the application for a certificate of exemption will be granted.

(d) **Tenement Conditions**

Conditions are imposed on the grant of most tenements pursuant to the Mining Act. These include conditions relating to the environment, payment of annual rent, required minimum expenditure and a standard schedule of general exclusions and conditions established pursuant to the Mining Act. In addition, more particular conditions are imposed on specific tenements. The conditions imposed on the Mining Leases, General Purposes Leases and the Miscellaneous Licence as indicated from the Searches are set out Schedule 1.

If the tenement conditions are not complied with, the tenement may be liable to forfeiture.

(e) **GPL Land to be held by Talison Greenbushes**

After completion under the Lithium Business Sale Agreement, TLA is required under clause 11 of the Lithium Business Sale Agreement to, in consultation with Talison Greenbushes, prepare and lodge with the DMP conditional partial surrenders for the area covered by the plant and equipment excluded from the assets acquired by TLA from Talison Greenbushes and such other areas as is reasonably required by Talison Greenbushes for its tantalum operations (**GPL Land**).

The surrenders in respect of the GPL Land will be conditional on applications for general purpose leases being granted to TLA over the GPL Land (**GPL Applications**). TLA will then transfer the general purpose leases granted pursuant to the GPL Applications to Talison Greenbushes in accordance with the terms of the GPL Secondary Sale Agreement as described in section 12 of the Prospectus. Such transfers will require the consent of the Minister. We are unable to express an opinion as to whether (or not) and when the Minister will approve such transfers.

4.2 Applications

(a) **Mining Lease Applications**

The Searches indicate the Mining Lease Applications are at the application stage only and have not yet been granted. The registered applicant for the Mining Lease Applications is Greenbushes Ltd (Subject to Deed of Company Arrangement) ACN 004 603 516 (**Greenbushes Ltd**).

The Advanced Minerals Sale Agreement as described in section 12 of the Prospectus at clause 6(b) provides that Greenbushes Ltd holds the benefit of the Mining Lease Applications on trust for Talison Greenbushes. Clause 6(b) of the Advanced Minerals Sale Agreement provides that upon grant of any tenement pursuant to the Mining Lease Applications Greenbushes Ltd must transfer such tenements to Talison Greenbushes. The Lithium Business Sale Agreement at clause 15 provides that Talison Greenbushes holds the benefit of the Mining Lease Applications on trust for TLA and that Talison Greenbushes must transfer any tenements granted pursuant to the Mining Lease Applications to TLA. Such transfers will require the consent of the

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Minister. We are unable to express an opinion as to whether (or not) and when the Minister will approve such transfers.

An application for a tenement cannot generally be transferred because, whilst it is still pending, the application does not amount to any property or title in the mining tenement. According to the Sale Agreements, upon the grant of any tenements pursuant to the Mining Lease Applications, TLA will have a right to be transferred such tenements (subject to Ministerial consent, as described above). The interest of TLA in each of the Mining Lease Applications is, therefore, contractual in nature and subject to the enforceability of the Material Contracts and to the parties to such Material Contracts fulfilling their terms.

Whether the Mining Lease Applications are successful is dependent upon a recommendation made by the mining registrar or warden to the Minister and the Minister's decision whether to grant or refuse the application. We are unable to express any opinion as to whether or not (and when) the Mining Lease Applications will be granted.

If a Mining Lease Application is successful then a mining lease will be issued on terms and conditions considered reasonable by the Minister.

General information about Western Australian mining leases is set out in section 5.

(b) **Prospecting Licence Application**

The Searches indicate that the Prospecting Licence Application is at the application stage only and has not yet been granted. The registered applicant for the Prospecting Licence Application is Talison Greenbushes.

The Lithium Business Sale Agreement at clause 15 provides that Talison Greenbushes holds the benefit of the Prospecting Licence Application on trust for TLA and that Talison Greenbushes must transfer any tenements granted pursuant to the Prospecting Licence Applications to TLA. Such transfers will require the consent of the Minister. We are unable to express an opinion as to whether (or not) and when the Minister will approve such transfers. The interest of TLA in each of the Prospecting Licence Applications is, therefore, contractual in nature and subject to the enforceability of the Lithium Business Sale Agreement and to the parties to the Lithium Business Sale Agreement fulfilling its terms.

An application for a tenement cannot generally be transferred because, whilst it is still pending, the application does not amount to any property or title in the mining tenement. According to the Lithium Business Sale Agreement upon the grant of any tenement pursuant to the Prospecting Licence Application, TLA will have a right to be transferred such tenements.

Whether an application for a prospecting licence is successful is dependent upon the decision made by a mining registrar or warden and is subject to a right of appeal to the Minister. We are unable to express any opinion as to whether or not (and when) the Prospecting Licence Application will be granted.

If a prospecting licence application is successful then a prospecting licence will be issued on terms and conditions as provided by the legislation or specified in the licence upon grant by either the mining registrar, the warden or the Minister.

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General information about Western Australian prospecting licences is set out in section 5.

4.3 Private Land and Reserves

(a) Access Issues - Private Land

The Searches indicate that the majority of the Tenements overlap private land. Details of these private land interests are set out in Schedule 1. Generally, private land which is not already subject to a mining tenement is considered open for mining under the Mining Act (subject to certain exemptions and limitations), and a mining tenement may be issued in relation to such land, entitling the holder to the rights granted thereby.

The Mining Act requires that the consent of the private land owner and occupier must be obtained prior to commencement of mining activities on, and access to, certain areas of private land by a tenement holder. Further, the tenement holder may not commence mining on the surface or within a depth of 30 metres from the surface until compensation has been agreed with the private landowner. Section 123 of the Mining Act provides that the owner and occupier of any land where mining takes place are entitled according to their respective interests to compensation for all loss and damage suffered or likely to be suffered by them resulting or arising from the mining.

Consent and compensation may be determined by agreement between the tenement holder and private landowner or occupier, or by the warden. The owner may be entitled to compensation for deprivation of the possession or use of the surface or any part of the surface of the land, damage to the surface, or any part, of the land, severance of the land from any other land of (or used by) the owner or occupier, loss or restriction of a right of way or other easement or right, loss of or damage to improvements, social disruption, disruption to agricultural activities (including, in the case of private land that is land under cultivation, any substantial loss of earnings, delay, loss of time, reasonable legal or other costs of negotiation, disruption to agricultural activities, disturbance of the balance of the agricultural holding, the failure on the part of a person concerned in the mining to observe the same laws or requirements in relation to that land as regards the spread of weeds, pests, disease, fire or erosion, or as to soil conservation practices, as are observed by the owner or occupier of that land) and reasonable expenses properly arising from the need to reduce or control the damage resulting or arising from mining.

We were informed by the Company that no consent or compensation arrangements have been entered into with the private landowners due largely to the fact that Talison Greenbushes holds freehold title to much of this land.

We are not aware of whether a member of the Talison Group has otherwise obtained the consent of private landowners to the grant of any tenements. We are unable to comment on whether a member of the Talison Group will be required by the Mining Act to enter into such arrangements in the future, or whether any of Talison Greenbushes' acts in relation to the relevant tenements without such compensation having been paid have been in breach of these provisions of the Mining Act.

(b) Access Issues - Reserves and other land interests

The Searches indicate that certain areas of land underlying the Tenements comprise road reserves, as set out in Schedule 1. Where tenements cover areas which are in "reserves", the consent of the Minister may be required before mining activities are permitted and conditions may be imposed on such activities.

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4.4 Native Title Claims

Various Aboriginal native title claimant groups have claimed, and may be determined to hold, native title rights and interests (**native title**) in the area covered by the Tenements.

The Searches indicate that there are registered and unregistered native title claims on the land the subject of each of the Tenements (refer to Schedule 1 for further details).

The actual and potential existence of native title is recognised and protected in accordance with the Native Title Act 1993 (Cth) (**NTA**). However, any native title which may exist or otherwise be claimed in respect of the Tenements will not prevent the exercise of any validly granted rights and interests under the Tenements.

(a) **"Registered" and "unregistered" native title claims**

The significance of a claim being registered is that the claimants are afforded the benefit of the "right to negotiate" process or other relevant "future act" process (outlined below) in respect to the grant of any interests in land (including the grant of any tenement under the Mining Act).

The native title claimants under an unregistered native title claim are not afforded the benefit of the "right to negotiate" process or other relevant "future act" process. However, the unregistered status of such a claim does not prevent the native title claimants from applying to the Australian Federal Court for a determination that native title exists over the whole or part of the area comprising the claim.

(b) **Validity of pre-1 January 1994 granted Tenements**

In general, the grant of an exploration or mining interest prior to 1 January 1994 will have been validated as a "past act" under the NTA, and any native title which existed at the date of the grant will continue to exist subject to the application of the "non-extinguishment principle". The non-extinguishment principle provides in effect that native title is not extinguished by the grant of an exploration or mining interest, however the continued existence, enjoyment and exercise of the native title is "suppressed" to the extent of any inconsistency with the exploration or mining interest. Upon the expiration or surrender of the exploration or mining interest, the native title will again have full effect.

Accordingly those Tenements granted prior to 1 January 1994, which are the majority of the Tenements as indicated in Schedule 1, constitute valid "past acts" under the NTA.

(c) **Validity of post-1 January 1994 granted Tenements**

The grant of certain exploration and mining interests between 1 January 1994 and 23 December 1996 are validated as "intermediate period acts" under the NTA, and any native title which existed at the date of grant will continue to exist subject to the application of the "non-extinguishment principle".

The NTA also provides that the future grant of certain exploration or mining interests will be invalid to the extent the interest affects native title if the grant does not comply with certain provisions relating to "future acts", including the right to negotiate.

A "future act" is an act which occurs after the commencement of the NTA on 1 January 1994, such as the grant of a mining lease or the conversion of an exploration licence or prospecting licence into a mining lease, on land where native title may exist.

The Tenements that were granted between 1 January 1994 and 23 December 1996 (**Intermediate Period Tenements**) - that is, mining leases M01/18 and M70/765 - are validated as "intermediate period acts" under the NTA. Any native title which existed at the date of grant of the Intermediate Period Tenements will continue to exist subject to the application of the "non-extinguishment principle" and the exercise of rights conferred by the Intermediate Period Tenements will not be affected by the existence of any native title claims over the tenements.

(d) **Effect of native title on applications for new Tenements**

Each of the Mining Lease Applications and the Prospecting Licence Application (the **Lithium Tenement Applications**) will constitute a "future act" under the NTA, in respect of which the future act procedures will apply.

The Company has informed us that there are no existing agreements in place with any native title claimant whose claims affect the Lithium Tenement Applications.

In these circumstances, the "future act" procedure which will apply to the grant of the Lithium Tenement Applications is the "right to negotiate" (**RTN**) process. The nature of the RTN process requires the parties to negotiate in good faith with a view to securing the native title claimants' consent to the grant. Securing the native title claimants' consent to the grant will invariably involve the payment of consideration (monetary or other benefits) to the native title claimants.

If the RTN procedures are not complied with, the relevant "act" will be invalid to the extent that it affects native title.

4.5 **Aboriginal Heritage Sites**

Compliance with the Aboriginal Heritage Act 1972 (**WA**) (**Aboriginal Heritage Act**) is a standard condition imposed generally on mining tenements in Western Australia.

It is an offence under the Aboriginal Heritage Act for a person to damage or in any way alter an Aboriginal site or any object on or under an Aboriginal site (which, amongst other things, includes any sacred, ritual or ceremonial site of importance and special significance to people of Aboriginal descent).

A register of Aboriginal sites is kept under the Aboriginal Heritage Act and administered by the DIA. However, sites and objects of significance to Aboriginal persons are protected by the Aboriginal Heritage Act whether or not those sites are registered under the Aboriginal Heritage Act, and there is no requirement for sites to be registered.

The Searches indicate that there is 1 registered Aboriginal site (**Registered Aboriginal Site**) on the area of land underlying:

- (a) Mining Leases M01/02, M01/04, M01/05 and M01/10; and
- (b) Miscellaneous Licence 01/01.

It is not possible to ascertain from the Searches whether there are unregistered Aboriginal sites within the area covered by the Tenements.

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The Aboriginal Heritage Register notes that the Registered Aboriginal Site is classified as mythological. Aboriginal sites which are recorded on the Aboriginal Heritage Register as mythological cannot be "moved" out of the way of development, as such sites are connected in a mythical way with the land. Accordingly it is necessary to investigate the nature of mythological sites to understand their cultural significance, and hence determine any effect such sites may have on proposed development.

Mining activities will not be able to be conducted in the vicinity of any registered or unregistered Aboriginal sites which may damage or in any way alter the Aboriginal site. The Aboriginal Heritage Act provides that it is an offence for any person to excavate, destroy, damage, conceal or in any way alter any Aboriginal site unless acting with the authorisation of the Registrar of Aboriginal Sites under section 16 of the Aboriginal Heritage Act or the consent of the Minister for Indigenous Affairs under section 18 of the Aboriginal Heritage Act.

5. General information regarding Tenements

The Mining Act regulates the assessment, development and utilisation of mineral resources in Western Australia. In Western Australia, the Crown owns all minerals on or below the surface of the land, except in certain limited circumstances (relating to limited categories of land and minerals). As the owner of the minerals, the Crown is entitled to grant mining tenements that confer rights on lessees or licensees to explore for and mine minerals.

5.1 Mining Leases

Subject to the provisions of the Mining Act, the holder of a mining lease is entitled to work and mine the land, take and remove any minerals (except iron ore, unless expressly authorised by the Minister), take and divert water subject to the Rights in Water and Irrigation Act 1914 (WA) and do all things necessary to effectively carry out mining operations in, on or under the land. However, the grant of a mining lease does not in itself confer authority to produce minerals. Further approvals are generally required before production may commence, including approvals in respect of environmental impact and Aboriginal heritage.

The holder of a mining lease owns all minerals lawfully mined from the land in accordance with the mining lease. However, a royalty is payable to the Crown in respect of all minerals recovered from a mining lease at the rate prescribed for the relevant commodity in the Mining Act and Mining Regulations.

A mining lease is granted for an initial term of 21 years and may be renewed for a further term of 21 years as of right and further periods of up to 21 years each upon application to the Minister.

A mining lease applied for or granted before 10 February 2006 may have an area not exceeding 10 square kilometres. In respect of mining leases applied for and granted after 10 February 2006, the Minister has a discretion to grant the mining lease over an area considered appropriate (and including sufficient land to encompass the resource and required infrastructure).

5.2 Prospecting licences

Prospecting licences entitle the holder to prospect for minerals (except iron ore unless expressly authorized by the Minister) within the area of the prospecting licence and to undertake various ancillary activities that may be necessary or expedient in connection with prospecting for minerals. Prospecting licences may be granted in respect of areas of land not exceeding 200 hectares.

Prospecting licences granted or applied for before 10 February 2006 remain in force for a period of 4 years from the date of grant and cannot be renewed. Prospecting licences applied for and

granted on or after 10 February 2006 remain in force for a period of 4 years from the date of grant and may be renewed for 4 years (and further 4 year periods if the licence has "retention status" - obtainable where an identified mineral resource exists that is impracticable to mine at the time).

The holder of a prospecting licence generally has a right to convert the licence to a mining lease, provided they have complied with the Mining Act and tenement conditions and obtained the necessary approvals, by making a conversion application during the term of the prospecting licence. An applicant for a mining lease will need to show both the existence of significant mineralization in relation to the area to which the mining lease application relates and that the resource will be exploited.

The Mining Act does not prescribe any requirements to obtain the consent of the Minister or the DMP in relation to transferring an interest in a prospecting licence.

5.3 Miscellaneous licences

A miscellaneous licence may be granted pursuant to the Mining Act over any land where the use of that land is directly connected with mining operations and is for a prescribed purpose under the Mining Regulations (for example a road or pipeline). A miscellaneous licence may be applied for over land that is the subject of an existing tenement, irrespective of whether that existing tenement is held by the applicant for the miscellaneous licence. The holder of a miscellaneous licence does therefore not have exclusive title to the land over which the miscellaneous licence is granted.

A miscellaneous licence that was applied for and granted after 6 June 1998 will remain in force for a term of 21 years, and may be renewed for a further 21 years as of right. The Minister may further renew the term of a miscellaneous licence applied for and granted after 6 June 1998 for successive periods of up to 21 years each.

5.4 General purpose leases

The holder of a general purpose lease is entitled to exclusive occupancy of the land the subject of the lease for the purposes specified in the lease, which may include erecting and operating machinery in connection with mining operations, depositing or treating tailings and/or use for any other specified purpose directly connected with mining operations. A general purpose lease is primarily a surface lease as it is limited to a depth of 15 meters (or such other depth as is specified) below the surface.

A general purpose lease may generally be granted for areas of land not exceeding 10 hectares, unless the Minister is satisfied that a larger area of land is required for the purposes of the lease. A general purpose lease will remain in force for either the term of the mining lease in respect of which it was granted, or 21 years from the date of grant, and may be renewed by the Minister in certain circumstances for one or more periods of 21 years each.

6. Relevant Jurisdictions and limitations to Report

This Report relates only to the statute laws of Western Australia and the federal laws of the Commonwealth of Australia (**Relevant Jurisdictions**) in force at, and to court decisions reported prior to, the date of this Report.

We express no opinion:

- (a) as to the laws of any other jurisdiction;
- (b) as to factual matters;

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- (c) as to the exact interpretation which would be placed by a court upon any particular wording in a Material Contracts or any other document to which any Relevant Entity (as that term is defined in Clause 9 of the Corporations Act) is a party or in some way connected; or
- (d) on any other document or agreement referred to in the Material Contracts or on the rights and obligations of the parties under such documents or agreements.

This Report is strictly limited to the matters stated in it and does not apply by implication to other matters.

This Report is to be construed in accordance with, and our liability under it will be determined under, the laws of Western Australia.

7. Assumptions and Qualifications

Our opinion is based on, and is subject to, the assumptions and qualifications set out below and as otherwise specified elsewhere in this letter.

7.1 Concerning the Tenements

- (a) This Report is limited to the Tenements and does not extend to any other tenements in which any member of the Talison Group has an interest.
- (b) We have relied upon information provided by the DMP, the NNTT and the DIA and have relied upon that information being accurate, complete and up to date as at the date of its receipt by us. We cannot comment on whether any changes have occurred in respect of the Tenements between the date on which the relevant Searches were conducted and the date of this Report.
- (c) The Mining Lease Applications and the Prospecting Licence Application have not yet been granted and are at the application stage only. We express no opinion as to whether and when the Mining Lease Applications and the Prospecting Licence Application will ultimately be granted in whole or in part, or with respect to the terms and conditions on which such grant will be made.
- (d) We have not been instructed to undertake surveys of the land the subject of the Tenements and therefore cannot verify the accuracy of such areas.
- (e) We have not been asked to obtain or review copies of any agreements or documents other than Material Contracts discussed at section 12 of the Prospectus and those that may be noted on the Tenement Register and disclosed in the Searches with respect to any of the Tenements.
- (f) We express no opinion as to whether any dealings or interests that may exist with respect to the Tenements may be able to be, or may become the subject of a registrable instrument (such as a transfer, mortgage or caveat), nor as to the consequences of non-registration.
- (g) We have assumed that each official in registering the Tenements has the capacity, power and authority to register and endorse the Tenements and to perform his or her duty.
- (h) Where the consent of the Minister is or may be required in relation to the entry into, or completion of, any agreement or to the transfer of any Tenements (including tenements

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that may be granted pursuant to the Tenement Applications), we express no opinion as to whether such consent will be granted, or the consequences of consent being refused.

- (i) We express no opinion in relation to compliance with the terms and conditions of any Tenement, the provisions of the Mining Act or the Mining Regulations, including requirements necessary to maintain the Tenements in good standing, or a possible claim in relation to the Tenements by third parties, except to the extent that such matters are disclosed on the Tenement Register or otherwise in the Tenement Searches.
- (j) Notwithstanding that the parties to a registered dealing may have performed all of their obligations so that a particular agreement has come to an end, it is not the practice to withdraw the agreement from the register. Accordingly, in many cases there may be dealings registered against the Tenements which may be purely historical in nature.
- (k) Native title or Aboriginal heritage sites or objects may exist in the areas covered by the Tenements. Whilst we have conducted the Searches with a view to ascertaining what native title claims or Aboriginal heritage sites or objects, if any, have been registered over the area the subject of the Tenements, we have not conducted any independent investigations regarding the likely existence or non-existence of native title, Aboriginal heritage sites or objects.
- (l) Title to the Tenements may be subject to prior unregistered agreements, assignments or transfers or native title claims and title may be affected by undetected defects not dealt with by section 116(2) of the Mining Act.

7.2 Concerning the Material Contracts

- (a) We have assumed without investigation:
 - (i) **(Authenticity)**: the authenticity of all signatures, seals, markings and duty stamps;
 - (ii) **(Conformity)**: the completeness, accuracy and conformity to originals, of all documents submitted to us;
 - (iii) **(As to laws)** that:
 - A. no law or official directive of a jurisdiction, other than the Relevant Jurisdictions, affects any of the opinions stated above;
 - B. to the extent that any obligation under any document examined by us is to be performed in any jurisdiction outside the Relevant Jurisdictions, its performance will not be illegal or ineffective by virtue of the law of that jurisdiction;
 - (iv) **(As to execution)**: that each Material Contract was within the capacity and powers of, and was validly authorised, executed and delivered by and was binding on, the parties to it;
 - (v) **(No winding up)**: that no Relevant Entity has passed a voluntary winding-up resolution and that no petition has been presented to or order made by any Court within the Commonwealth of Australia that has the authority to deal with the winding-up of a corporation (a **Relevant Court**) for winding-up a Relevant Entity and that no receiver or administrator has been appointed to a Relevant Entity;

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- (vi) **(No insolvency)**: that no Relevant Entity will become insolvent because of, or because of matters including, entering into agreements pursuant to the Pre-Offering Reorganisation or making the Offer or a person doing an act or making an omission for the purposes of giving effect to the Pre-Offering Reorganisation or making the Offer;
 - (vii) **(No repudiation)**: that no Group company has, nor has any other party to any of the Material Contracts, repudiated or terminated its obligations under any Material Contract or accepted the repudiation or termination by any other party of that party's obligations under any Material Contract, or purported to do any of the above;
 - (viii) **(Due stamping)**: that all Material Contracts and transactions effected or contemplated by them which are liable for stamp duty were duly stamped;
 - (ix) **(No sham)**: that each Material Contract represented the intention of the parties to it and that the parties did not in fact make some other different and separate contract between them and agreed that the relevant Material Contract should not give rise to legally enforceable rights or liabilities or give rise to different rights or liabilities from those set out in each Material Contract;
- (b) The opinions given in this Report are subject to the following qualifications:
- (i) **(Enforceability)**: the expression "enforceable" means that the obligations are of the type which a Relevant Court may enforce but does not mean that the obligations will be necessarily enforced in all circumstances.
 - (ii) **(Procedural matters)**: the enforcement in a Relevant Court of the Material Contracts in accordance with their terms against a Group company may be subject to or limited by:
 - A. the application of the laws relating to insolvency, liquidation, receivership, reorganisation, administration, moratoria, court schemes, and the powers given to courts affecting creditors' rights generally;
 - B. the general principles of equity, which provide that equitable remedies are discretionary, subject to equitable defences and are not available where damages are considered by the court to be an adequate remedy;
 - C. claims becoming barred under statutes imposing limited periods within which proceedings can be brought;
 - D. defences of set-off, abatement or counterclaim;
 - E. fraud, the general common law doctrines of estoppel in relation to representations, acts or omissions of creditors and of frustration, and to statutory prohibitions of misleading, deceptive or unconscionable conduct;
 - F. the general jurisdiction of the court to award costs, even as against a successful party;

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- G. the discretion vested in the courts to stay any proceedings commenced against a Group company if there are other proceedings in other jurisdictions simultaneously on foot against a Group company;
- H. the court's discretion to disregard any provision that any entry, calculation or certification by a party is to be conclusive and binding;
- I. the requirement that any discretion be exercised reasonably and that any determination of a matter in a party's opinion be based on reasonable grounds;
- J. the court's discretion to determine whether any provision is severable;
- K. a court will not enforce a provision which is in the nature of a penalty;
- L. a court may give judgment for a monetary amount in Australian dollars rather than a foreign currency; and
- M. an indemnity for legal costs or breach of any law may not be enforceable.

(iii) **(No opinion):** we express no opinion as to:

- A. the enforceability of any obligations to negotiate in good faith (or similar);
- B. the operation of any provision in any of the Material Contracts requiring written amendments and waivers of the Material Contracts insofar as they suggest that oral or other amendments or waivers could not be effectively agreed upon or granted; or
- C. the title of a Group company to any asset, wherever situated other than as specifically contemplated in this letter.

Yours faithfully



Geoff Simpson | Partner in Charge, Perth |
Corporate Advisory - M&A, Energy & Resources
Clayton Utz

QV.1, 250 St Georges Terrace, Perth WA 6000 Australia |
gsimpson@claytonutz.com

www.claytonutz.com

Meredith Champion | Partner |
Corporate Advisory - M&A, Energy & Resources
Clayton Utz

QV.1, 250 St Georges Terrace, Perth WA 6000 Australia |
mcampion@claytonutz.com

www.claytonutz.com

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Schedule 1 - Status of Tenements (based on Tenement Searches, Native Title Searches and Aboriginal Site Searches)

Tenement	Registered holder / Applicant (Interest)	Area (hectares)	Application/Grant/ Expiry date and Status	Rental commitments (A\$/pa)	Expenditure commitments (A\$/pa)	Registered encumbrances / dealings	Notes
G01/1	Talisson Greenbushes Pty Ltd (100 shares)	9.99550	Application: 23/06/1986 Granted: 17/11/1986 Expires: 05/06/2028 Live	Rent to 16/11/2009: \$133.10 - paid. Rent to 06/11/2010: \$138.60.	N/A	Bond 275382 lodged and recorded on 21/09/2007 for \$15,000 Mortgage 274385 lodged on 03/09/07 and registered on 21/09/07	A1 - 3 B1 C1 - C4, C7, C8, C11 - C19, C21, C22 D1 E1, E2
G01/2	Talisson Greenbushes Pty Ltd (100 shares)	9.99000	Application: 23/06/1986 Granted: 17/11/1986 Expires: 05/06/2028 Live	Rent to 16/11/2009: \$133.10 - paid. Rent to 16/11/2010: \$138.60.	N/A	Bond 275383 lodged and recorded on 21/09/2007 for \$112,000 Mortgage 274385 lodged on 03/09/07 and registered on 21/09/07	A1, A2 B1 C1 - C21 D1 E1, E2
L01/1	Talisson Greenbushes Pty Ltd (100 shares)	9.30780	Application: 27/09/1985 Granted: 19/03/1986 Expires: 27/12/2026 Live	Rent to 18/03/2010: \$133.10 - paid. Rent to 18/03/2011: \$138.60.	N/A	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2 B2 C22 D1 E1, E2 F1
M01/2	Talisson Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2009: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1 - A5 B3 C1 - C5, C8 - C10, C14, C24 - C27 D1 E1, E2 F1
M01/3	Talisson Greenbushes Pty Ltd (100 shares)	999.60	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Bond 277191 lodged on 01/11/07 for \$16,500 Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1 - A3, A5, A6, A 7, A8 B3, B4, B5 C1 - C5, C8 - C10, C23 - C25, C27, C28 D1 E1, E2

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Tenement	Registered holder / Applicant (Interest)	Area (hectares)	Application/Grant/ Expiry date and Status	Rental commitments (A\$/pa)	Expenditure commitments (A\$/pa)	Registered encumbrances / dealings	Notes
M01/4	Talison Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A4, A3 B3 C1 - C5, C8 - C10, C23, C24, C27, C29 - C42 D1, D2 E1, E2 F1
M01/5	Talison Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A3, A4, A5, A9, A16, A17, A18 B3 C1 - C5, C8 - C10, C23, C27, C29, C30, C58, C59 D1, D2 E1, E2 F1
M01/6	Talison Greenbushes Pty Ltd (100 shares)	984.10	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,735.60 - paid. Rent to 27/12/2010: \$15,385.70.	Expenditure required to 27/12/2009: \$88,500.00	Partial Surrender lodged and registered on 25 June 1986 for that portion outlined in red and limited to a depth of 15 metres from the natural surface of the land as shown on the plan attached to the document of partial surrender (Mines File 1559783) Bond 275384 lodged on 21/09/07 for \$2,593,000 Mortgage 274385 lodged on 03/09/07 and registered on 21/09/07	A1 - A3, A5 - A8, A10, A19, A20 B3 C1 - C5, C8, C9, C10, C23, C29, C43 - C45 D1, D3, D4 E1

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Tenement	Registered holder / Applicant (Interest)	Area (hectares)	Application/Grant/ Expiry date and Status	Rental commitments (A\$/pa)	Expenditure commitments (A\$/pa)	Registered encumbrances / dealings	Notes
M01/7	Talison Greenbushes Pty Ltd (100 shares)	997.10	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,930.08 - paid. Rent to 27/12/2010: \$15,588.76.	Expenditure required to 27/12/2009: \$99,800.00	Bond 275385 lodged on 01/11/07 for \$1,122,000 Mortgage 274385 lodged on 03/09/07 and registered on 30/10/07	A1, A2, A3, A4, A5, A21, A22 B3 C1 - C5, C8 - C10, C13, C14, C23, C27, C29, C44, C46, C47, C56 D1, D3, D4 E1, E2
M01/8	Talison Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A4, A5, A9, A23, A24 B3 C1 - C5, C8 - C10, C23, C27 C29 - C31, C48, C49 D2, D3, D4 E1
M01/9	Talison Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A4, A5, A9, A10, A15, A25, a26, A27, A28, A29, A30, A31, A32 B3 C1 - C5, C8 - C10, C23, C29 - C37, C48, C51 - C53, C58 D1, D2, D3, D4 E1, E2
M01/10	Talison Greenbushes Pty Ltd (100 shares)	999.60	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Bond 274877 lodged on 03/09/07 for \$5,000 (Security) Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A4, A5, A22 C1 - C5, C8 - C10 C23, C24, C27 D1, D3, D4 E1, E2 F1
M01/11	Talison Greenbushes Pty Ltd (100 shares)	1,000	Application: 12/12/1983 Granted: 28/12/1984 Expires: 27/12/2026 Live	Rent to 27/12/2009: \$14,960.00 - paid. Rent to 27/12/2010: \$15,620.00.	Expenditure required to 27/12/2009: \$100,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A5, A23 C1 - C3, C5, C8 - C10, C27, C32 D2, D3, D4 E1

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Tenement	Registered holder / Applicant (Interest)	Area (hectares)	Application/Grant/ Expiry date and Status	Rental commitments (A\$/pa)	Expenditure commitments (A\$/pa)	Registered encumbrances / dealings	Notes
M01/16	Talison Greenbushes Pty Ltd (100 shares)	18.005	Application: 27/05/1985 Granted: 06/06/1986 Expires: 05/06/2028 Live	Rent to 05/06/2010: \$284.24 - paid. Rent to 05/06/2011: \$296.78.	Expenditure required to 05/06/2010: \$10,000.00	Bond 274876 lodged on 03/09/07 for \$6,000 (Security) Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2 B3 C1 - C5, C8, C10, C13, C14, C27, C47, C55 D1 E1, E2
M01/18	Talison Greenbushes Pty Ltd (100 shares)	3	Application: 16/04/1993 Granted: 28/09/1994 Expires: 27/09/2015 Live	Rent to 27/09/2009: \$44.88 - paid. Rent to 27/09/2010: \$46.86.	Expenditure required to 27/09/2009: \$5,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A4, A10, A25 B3 C1, C5, C8, C10, C24, C27, C55 D2 E1
M70/765	Talison Greenbushes Pty Ltd (100 shares)	73.6	Application: 23/07/1992 Granted: 20/06/1994 Expires: 19/06/2015 Live	Rent to 19/06/2010: \$1,107.04 - paid. Rent to 19/06/2011: \$1,155.88.	Under expended 19/06/2009: \$7,862.00 but expenditure exemption recorded (not granted) Expenditure required to 19/06/2010: \$10,000.00	Mortgage 274385 lodged on 03/09/07 and registered on 14/09/07	A1, A2, A3, A34, A35 B3 C1, C5, C10, C27, C56 E1, E2
M70/1273	Greenbushes Ltd (96 shares)	64.11	Application: 27/12/2006 Pending	N/A	N/A	N/A	A2, A4, A5 D1 E1, E2
M70/1187	Greenbushes Ltd (100 shares)	9.5	Application: 05/11/2004 Pending	N/A	N/A	N/A	A2, A3, A5 D1 E1, E2
P70/1562	Talison Greenbushes Pty Ltd (100 shares)	64.11	Application: 07/11/2007 Pending	N/A	N/A	N/A	A2, A4, A5 D1 E1, E2

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11. Solicitor's Report

Notes Part A. Private and Crown interests, reserves

- A1. The land underlying the Tenement is subject to State Forest Reserve (SF 20)
- A2. The land underlying the Tenement is subject to DRZ/5, Dieback Risk Zone (Department of Environment and Conservation (DEC)).
- A3. The land underlying the Tenement is subject to a Road Reserve.
- A4. The land underlying the mining lease is subject to a DIA HSR Survey.
- A5. The land underlying the mining lease is subject to Private Land.
- A6. The land underlying the mining lease is subject to File Notation Area, FNA/2877 (DEC).
- A7. The land underlying the mining lease is subject to Crown Reserve 20871 (Mining).
- A8. The land underlying the mining lease is subject to Crown Reserve 22315 (Recreation Swimming Pool).
- A9. The land underlying the mining lease is subject to unnumbered Land Act Reserve (UNN 582) (DOLA).
- A10. The land underlying the mining lease is subject to catchment area CMT 59 (Department of Water (Primary) and DEC (Secondary)).
- A11. The land underlying the mining lease is subject to Crown Reserve 6889 (Cemetery).
- A12. The land underlying the mining lease is subject to Crown Reserve 29038 (Gravel).
- A13. The land underlying the mining lease is subject to Crown Reserve 6890 (Landscape Protection).
- A14. The land underlying the mining lease is subject to Crown Reserve 38419 (Water Supply Purposes).
- A15. The land underlying the mining lease is subject to Vacant Crown Land (No. 10441).
- A16. The land underlying the mining lease is subject to File Notation Area, FNA/8485 (DEC).
- A17. The land underlying the mining lease is subject to catchment area CMT 27 (Department of Water (Primary) and DEC (Secondary)).
- A18. The land underlying the mining lease is subject to Crown Reserve 30597 (Water Supply).
- A19. The land underlying the mining lease is subject to File Notation Area, FNA/7738 (Department for Planning and Infrastructure (DPI)).
- A20. The land underlying the mining lease is subject to Crown Reserve 22224 (Rubbish Depot).
- A21. The land underlying the mining lease is subject to Crown Reserve 857 (Water).
- A22. The land underlying the mining lease is subject to Crown Reserve 10819 (Public Cemetery).
- A23. The land underlying the general purpose lease, miscellaneous licence or mining lease is subject to State Forest Reserve (SF 29)
- A24. The land underlying the mining lease is subject to Crown Reserve 8361 (Recreation Reserve).
- A25. The land underlying the mining lease is subject to File Notation Area, FNA/516 (DEC).
- A26. The land underlying the mining lease is subject to File Notation Area, FNA/5065 (DPI).
- A27. The land underlying the mining lease is subject to File Notation Area, FNA/7738 (DPI).
- A28. The land underlying the mining lease is subject to Crown Reserve 15466 (Water).
- A29. The land underlying the mining lease is subject to Crown Reserve 7005 (Camping).
- A30. The land underlying the mining lease is subject to Crown Reserve 8361 (Recreation).
- A31. The land underlying the mining lease is subject to Crown Reserve 1929 (Well & Stopping Place for Travellers).

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- A32. The land underlying the mining lease is subject to Crown Reserve 2687 (Recreation).
- A33. The land underlying the mining lease is subject to Crown Reserve 27081 (Timber).
- A34. The land underlying the mining lease is subject to State Forest Reserve (SF 30).
- A35. The land underlying the mining lease is subject to Proposed Forest Conservation Areas (PFC/30).

Notes Part B. Endorsements

- B1. The lease shall remain in force until the surrender, forfeiture or expiry of Mining Lease 01/16 in respect of which it was granted and shall then expire.
- B2. This Licence shall remain in force until the surrender, forfeiture or expiry of Mining Lease 01/2 in respect of which it was granted and shall then expire.
- B3. The licensee's attention is drawn to (the provisions of) the Wildlife Conservation Act 1950; the Environmental Protection Act 1986; the Rights of Water and Irrigation Act 1914; and the Aboriginal Heritage Act 1972.
- B4. The land the subject of this lease affects a Rare Flora Site (including Rare Flora Site 10605) declared under the Wildlife Conservation Act 1950. The Lessee is advised to contact the DEC (previously the Department of Conservation and Land Management) for detailed information on the management of Declared Rare Flora present within the tenement area.
- B5. The land the subject of this lease affects a Rare Flora Site (including Rare Flora Site 17365) declared under the Wildlife Conservation Act 1950. The Lessee is advised to contact the DEC for detailed information on the management of Declared Rare Flora present within the tenement area.

Notes Part C. Conditions

- C1. Survey.
- C2. Compliance with the provisions of the Aboriginal Heritage Act, 1972 to ensure that no action is taken which is likely to interfere with or damage any Aboriginal site.
- C3. Compliance with the provisions of the Water Authority Act, Regulations and By-Laws; Forests Act and Regulations; and Bush Fires Act and Regulations.
- C4. Conditions regarding forestry controlled by the DEC, which may include giving prior notice in writing of its intention to enter upon any area of State Forest or Crown land for the purposes of mining or operations associated with mining, and that DEC reserves the right to remove any marketable timber from such area in advance of mining operations and may require compensation for timber used or destroyed in connection with mining operations. In relation to some Tenements, no compensation payment is required for such land defined as totally disturbed by mining (definition of disturbed and undisturbed land is as per Greenbushes Limited Map Number FD 1364D, dated 16 December 1983)
- C5. Rehabilitation conditions, which may include that the tenement holder, at its own expense, shall rehabilitate all areas affected by mining or operations associated with mining including the rehabilitation enrichment of dieback or other forest disease affected areas resulting from the mining or operations associated with mining, institution of safety measures (including fencing), the removal, demolition or burial of all buildings and structures, covering of all access roads and other disturbed areas with topsoil and then deep ripped and revegetated with local native grasses, shrubs and trees, to the reasonable requirement of the State Mining Engineer, the Executive Director, Environmental Officer or Regional Manager of DEC (where applicable) and the requirements of DEC policy No. 10 (Rehabilitation of Disturbed Lands) may be applied.
- C6. Rehabilitation proposals and the conceptual plan as submitted for the pre-existing mining lease apply. The supervision of the rehabilitation shall be carried out by the State Mining Engineer in conjunction with the Executive Director, DEC.
- C7. Ten (10) year mining proposals as submitted under the pre-existing mining lease shall apply and shall be reviewed at five (5) yearly intervals.
- C8. Conditions regarding the preparation of proposals and annual programming which may include mining management programmes and environmental management programmes and such matters as the areas it is proposed to mine, the method of mining and the proposed method of rehabilitation, water body management and road access for approval by the Minister, DEC. The Lessee undertakes to consult with the State Mining Engineer and the Executive in preparation of these programmes.
- C9. The Lessee shall submit Annual Reports on progress and expenditure relating to rehabilitation to the State Mining Engineer and the Executive Director DEC. Such reports shall be submitted by February 28th of each year. Reports will

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cover the twelve month period ending the 31st December.

- C10. Environmental conditions which may include that the tenement holder shall take all precautions necessary to prevent damage to the forest (including prevention of the spread of forest diseases (including jarrah dieback diseases and Phytophthora species) and by fire), existing vegetation and natural landform and pollution of streams, and that all rubbish and scrap is to be progressively disposed of in a suitable manner.
- C11. The grant of the lease being confined to the natural surface of the land and thereunder to a depth of 15 metres.
- C12. The construction and operation of the project and measure to protect the environment being carried out generally in accordance with the documents titles:-
- "Greenbushes Operation Tailings Management New Cell Notice of Intent" dated October 2004;
 - Letter entitled "Tailings Management New Cell - Notice of Intent" dated 1 March 2005 signed by Mr Pat Scallan - General Manager Greenbushes Mine; and
 - "Greenbushes Operations Tailings Management New Cell Additional Information for DOIR" dated April 2005 (NOI 4870) and retained on DMP File No E0046/200402.
- C13. All topsoil being removed ahead of all mining operations from sites such as pit areas, waste disposal areas, ore stockpile areas, pipeline, haul roads and new access roads and being stockpiled for later respreading or immediately respread as rehabilitation progresses.
- C14. Any alteration or expansion of operations within the lease boundaries beyond that outlines in the above document(s) not commencing until a plan of operations and a programme to safeguard the environment are submitted to the Environment Officer (or Director for Environment where applicable), DMP for his assessment and until his written approval to proceed has been obtained.
- C15. The construction of the tailings storage embankment shall be supervised by an engineering/geotechnical specialist.
- C16. The as-built details of any tailings storage embankment shall be document by an engineering or geotechnical specialist and confirm that the construction satisfies the design intent. The construction document shall include the records of all construction quality control testing, the basis of any method specification adopted, and any significant modifications to the original design together with the reasons why the modifications were necessary. The constructions document shall also present as-built drawings for the embankment earthworks and pipework. A copy of the construction document shall be submitted to DMP for its records.
- C17. The tailings storage facility is functioning as per the design intent.
- C18. An engineering or geotechnical specialist shall review the active tailings storage facility on an annual basis. The specialist shall review past performance, validate the design, examine tailings management and review the results of monitoring. Any deficiencies not in the report shall be submitted to DMP and should be accompanied by a recent survey pick-up of the facility and an updated tailings storage data sheet.
- C19. At the time of the first annual review. SOG is to provide stability analyses of all TSF embankments, using as-built properties of embankment and foundation materials (after at least 6 months of consolidation).
- C20. Prior to any rock waste dumping on the old lithium tailings, the DMP requires a detailed geotechnical assessment of the stability of foundation materials and potential influences or any embankment downstream of the waste dump.
- C21. At the time of decommissioning of the tailings storage facility and prior to rehabilitation, a further review report by a geotechnical or engineering specialist shall be submitted to DMP. This report should review the status of the structure and its contained tailings, examine and address the implications of the physical and chemical characteristics of the materials, and present and review the results of all environmental monitoring. The rehabilitation stabilisations works proposed and any on going remedial requirements should also be addressed.
- C22. Subject to the rights in Water and Irrigation Act.
- C23. The grant in respect of all private land being confined to below a depth of 30 metres from the natural surface.
- C24. Mining on any road or road reserve being confined to below a depth of 15 metres from the natural surface.
- C25. Mining on Miner's Homestead Lease 01/1 and 01/8 being confined to below a depth of 15 metres from the natural surface of the land.
- C26. The complete excision of any portion encroaching on Water Right 01/301.

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- C27. Unless the written approval of the Environmental Officer, DMP, is first obtained, the use of scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface disturbance or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion of operations.
- C28. No mining on Recreation and Swimming Pool Reserve 22315 without the prior written consent of the Minister.
- C29. No excavation, excepting shafts, approaching closer to the South Western Highway or the road service than a distance equal to twice the depth of the excavation and mining on the South Western Highway being confined to below a depth of 30 metres from the natural surface, and on any other road, to below a depth of 15 metres from the natural surface.
- C30. No mining on a strip of land 60 metres wide with the Bunbury-Northcliffe Railway Line as the centre line and no materials being deposited or machinery or buildings being erected on such strip of land.
- C31. Blasting operations being controlled so that no damage or injury can be caused by fly rock, concussion, vibration or other means.
- C32. No mining being commenced until the lessee has constructed to the satisfaction of the Public Works Department, such dams, banks, culverts and other works as are required to prevent any impairment by the mining operation of the physical, chemical or biological condition of the waters in the Dumping Creek Dam. The lessee maintaining and keeping in repair these works for the duration of the mining operation.
- C33. The lessee being responsible for all costs incurred by the Public Works Department in treating the water or developing a new source, should the failure of these works or the mining operation result in impairment of the physical, chemical or biological quality of the water in Dumping Creek Dam to the extent that it no longer conforms with the Desirable Current Criteria for Drinking Water of the National Health and Medical Research Council.
- C34. The Lessee being responsible for the cost and expense to construct the, operate and maintain such dams, pump stations, pipelines and works as are necessary to augment the Dumping Creek storage so that the demand of the Greenbushes Townsite is met at all times.
- C35. The Lessee arranging for the water delivered to Dumping Creek Dam to be sampled monthly and analysed for physical and chemical characteristics by a recognised laboratory to ensure that the quality of the water being delivered by the lessee to Dumping Creek Dam conforms with the Desirable Current Criteria for Drinking Water in Australia of the National Health and Research Council of Australia, and the result of the test being forwarded to the Public Works Department within one week of the sampling date.
- C36. The Lessee, within two weeks of receiving any test results referred to in the condition described in note C35 above that shows the water being delivered by the Lessee to Dumping Creek Dam is not meeting the Current Desirable Criteria for Drinking Water, shall arrange for treatment of the water or for supply to be drawn from another source or take such other action as may be necessary to ensure that the quality of the water to the dam is maintained.
- C37. The Lessee, within 3 months of completing mining, unless granted an extension of this approval by December 31, 1986, rehabilitating to the satisfaction of the Public Works Department all mining pits, tailings dumps and other works on the catchment to the extent necessary to ensure that the flow of water to Dumping Creek Dam is not impaired in quantity or quality.
- C38. No mining on North Greenbushes Townsite, Gravel Reserve 6890 and 29038, Water Reserve 38419 without the prior written consent of the Minister.
- C39. No mining on Cemetery Reserve No 6889 and mining within a distance of 140 metres laterally from the Reserve being confined to below a depth of 50 metres from the lowest part of the surface of the land with rights of ingress to and egress from the said Reserve being at all times preserved to the public.
- C40. Mining on Miner's Homestead Lease 01/04 and 01/06 being confined to below a depth of 15 metres from the natural surface of the land.
- C41. The complete excision of any portion encroaching on Garden Area 01/19 and mining thereunder being restricted to below a depth of 15 metres from the natural surface.
- C42. Consent to mine on Camping Reserve 7005 was granted by the Minister on 17 March 1987.
- C43. No mining on North Greenbushes Townsite, Rubbish Tip Reserve 22224, and Recreation Reserve and Swimming Pool Reserve 22315 without the prior written consent of the Minister.
- C44. The complete excision of any portion encroaching on Mining Lease 01/1.
- C45. Consent to mine on the 900m² of the Southern Portion of the Greenbushes Townsite was granted by the Minister subject

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to:

- The South Bund wall not being mined or removed without the prior written approval of the State Mining Engineer.
- All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary buildings being removed from the mining tenement prior to or at the termination of exploration programme.
- All surface holes drilled for the purpose of exploration and/or the determination of ore reserves are to be capped, filled or otherwise made safe immediately after completion.
- Unless the written approval of the Environmental Officer, DMP, is first obtained, the use of scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface disturbance or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion of operations.
- No mining being commenced until the lessee has constructed to the satisfaction of the Public Works Department, such dams, banks, culverts and other works as are required to prevent any impairment by the mining operation of the physical, chemical or biological condition of the waters in the Dumping Creek Dam. The lessee maintaining and keeping in repair these works for the duration of the mining operation.
- The Lessee by November of each year consulting with the Environmental Officer (DMP) and District Manager (DEC) to review past programmes and within one (1) month of this review the lessee to prepare and submit detailed annual mining proposals and environmental management programmes to the Director, Mining Operations for assessment and written approval in concurrence with the Executive Director, DEC.
- The constructions and operation of the project and measures to protect the environment being carried out generally in accordance with the documents titled:
 - "Greenbushes Notice of Intent: Greenbushes Tantalum/Lithium Project: Greenbushes, Western Australia" dated April 1991 and retained on Minerals and Energy Department File No. 643/90;
 - "Notice of Intent to build an additional waste dump for material from the Tantalum and Lithium Pits at the Greenbushes Minesite" dated 13 July 1993;
 - "Proposed construction of Lithium Carbonate Plant - Greenbushes Mine" dated 21 June 1994 and retained on Department of Minerals and Energy File No. 2056-94;
 - "Letter of Intent - Expansion to IP Waste Dump" dated 5 December 1996 and retained on DMP File No. 2056/94;
 - "Letter of Intent - Extension to Tantalum Pit Sound Wall" dated 20 February 1997: signed by V Beniuk (Mine Manager) Gwalia Consolidated Pty Ltd - Greenbushes Mine and retained on DMP File No. 2066/97;
 - "Letter of Intent - New Workshop on IP Waste Dump" dated 19 February 1997 and retained on DMP File No. 2066/97;
 - "Proposal to vary the existing Notice of Intent for the continuation of hard rock mining to include underground mining" (NOI 3384) dated April 2000 and retained on DMP File No. 2673/99;
 - "Greenbushes Operations - Preliminary Project Proposal - Continuation of Hard Rock Mining" dated March 1999 and retained on DMP File No. 2549/99;
 - "Greenbushes Operation Tailings Management New Cell Notice of Intent" dated October 2004 and retained on DMP File No. E0183/200501;
 - Letter titled "Tailings Management New Cell - Notice of Intent" dated 1 March 2005 signed by Mr Pat Scallan - General Manager Greenbushes Mine and retained on DMP File No. E0183/200501;
 - "Greenbushes Operation Tailings Management New Cell Additional Information for DOIR" dated April 2005 (NOI 4870) and retained on DMP File No. E0046/200402; and
 - Letter titled "Letter of Intent: Greenbushes Tailings Rehabilitation Trial" (NOI 5221) dated 13 January 206 signed by Pat Scallan - General Manager Greenbushes Mine, and retained on DMP File No. E0046/200402.

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- Where a difference exists between the above document(s) and the Tenement conditions, then the conditions will apply.
 - Conditions as described in notes C5, C10 and C13 - C21.
- C46. No mining on Cemetery Reserve No 10819 and mining within a distance of 140 metres laterally from the Reserve being confined to below a depth of 50 metres from the lowest part of the surface of the land with rights of ingress to and egress from the said Reserve being at all times preserved to the public.
- C47. The constructions and operation of the project and measures to protect the environment being carried out generally in accordance with the documents titled:
- "Greenbushes Notice of Intent: Greenbushes Tantalum/Lithium Project: Greenbushes, Western Australia" dated April 1991 and retained on DMP File No. 643/90;
 - "Notice of Intent to build an additional waste dump for material from the Tantalum and Lithium Pits at the Greenbushes Minesite" dated 13 July 1993 and retained on DMP File No 2122/92;
 - "Proposed construction of Lithium Carbonate Plant - Greenbushes Mine" dated 21 June 1994 and retained on DMP File No. 2056-94; and
 - "Greenbushes Operations - Preliminary Project Proposal - Continuation of Hard Rock Mining" dated March 1999 and retained on DMP File No. 2549/99.
- Where a difference exists between the above document(s) and the Tenement conditions, then the conditions will apply.
- C48. No mining on Recreation Reserve 8361 without the prior written consent of the Minister.
- C49. The complete excision of any portion encroaching on Garden Areas 01/27 and 01/42 and mining thereunder being restricted to below a depth of 15 metres from the natural surface.
- C50. No mining on North Greenbushes Townsite and Greenbushes Townsite and Recreation Reserve 8361 without the prior written consent of the Minister.
- C51. The complete excision of any portion encroaching on Water Right 01/302.
- C52. The complete excision of any portion encroaching on Garden Areas 01/49, 01/50, 01/52, 01/55 and 01/62, Residence Area 01/353 and mining thereunder being restricted to below a depth of 15 metres from the natural surface.
- C53. Mining on Miner's Homestead Lease 01/35 being confined to below a depth of 15 metres from the natural surface of the land.
- C54. Consent to mine on Water Reserves 1929 and 15466, Camping Reserve 7005 and "A" Class Reserve 2687 was granted by the Minister, subject to the following:
- A buffer zone of undisturbed land being left between the mining face and the outer areas of the sportsground (situated on "A" Class Recreation Reserve 2687) as determined and agreed between the company and the Bridgetown-Greenbushes Shire Council.
 - The excavated area behind the sportsground being backfilled and contoured such that the rehabilitated area and the buffer zone are joined by gradual slopes.
 - The excavated area being revegetated with suitable grasses and a variety of large tree species, planted at open parkland spacing.
 - Inadvertent entry to mining area being prevented by the construction of suitable fences where necessary, particularly in the vicinity of the sportsground.
 - Conditions as described in notes C45 - C49.
- C55. Consent to mine on State Forest No 20 granted by the Minister subject to the following conditions:
- Conditions as described in notes C4, C5 and C10.
 - No developmental or productive mining being commenced until the Lessee has submitted a Notice of Intent (**NOI**) for the proposed operations, including measures to safeguard the environment, to the Director, Mining

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Operations Division for assessment and until his written approval has been obtained, subject to the agreement for the Executive Director, DEC. The approval NOI (as amended) then becoming a condition of this lease and the Lessee providing a bond in favour of the Minister for the sum specified in the NOI approval for due compliance with the environmental conditions of the lease.

- Each year on the anniversary date of the approval of the NOI, the Lessee consulting with the District Mining Engineer and District Manager to review the past programmes and within one (1) month of this review the Lessee to prepare and submit detailed annual mining proposals and management programmes for approval to the Director, Mining Operations Division in agreement with the Regional Manager, DEC.
- Where reasonable, the Lessee permitting DEC to remove for DEC requirements, sand, rock, clay, gravel and soil subject to a working agreement.

C56. Consent to mine on State Forest No 30 granted by the Minister subject to conditions as described in note C55.

C57. No Mining on Water Supply Reserve 30597 without the prior written consent of the Minister.

C58. Mining on Miner's Homestead Lease 01/06 and 01/07 being confined to below a depth of 15 metres from the natural surface of the land.

Notes Part D. Registered Native Title Claims

D1. South West Boorjarah 2: Federal Court Number WAD253/06.

D2. Gnaala Karla Booja: Federal Court number WAD6274/98.

D3. Wagyl Kaip: Federal Court Number WAD6286/98.

D4. Southern Noongar: Federal Court Number WAD6134/9.

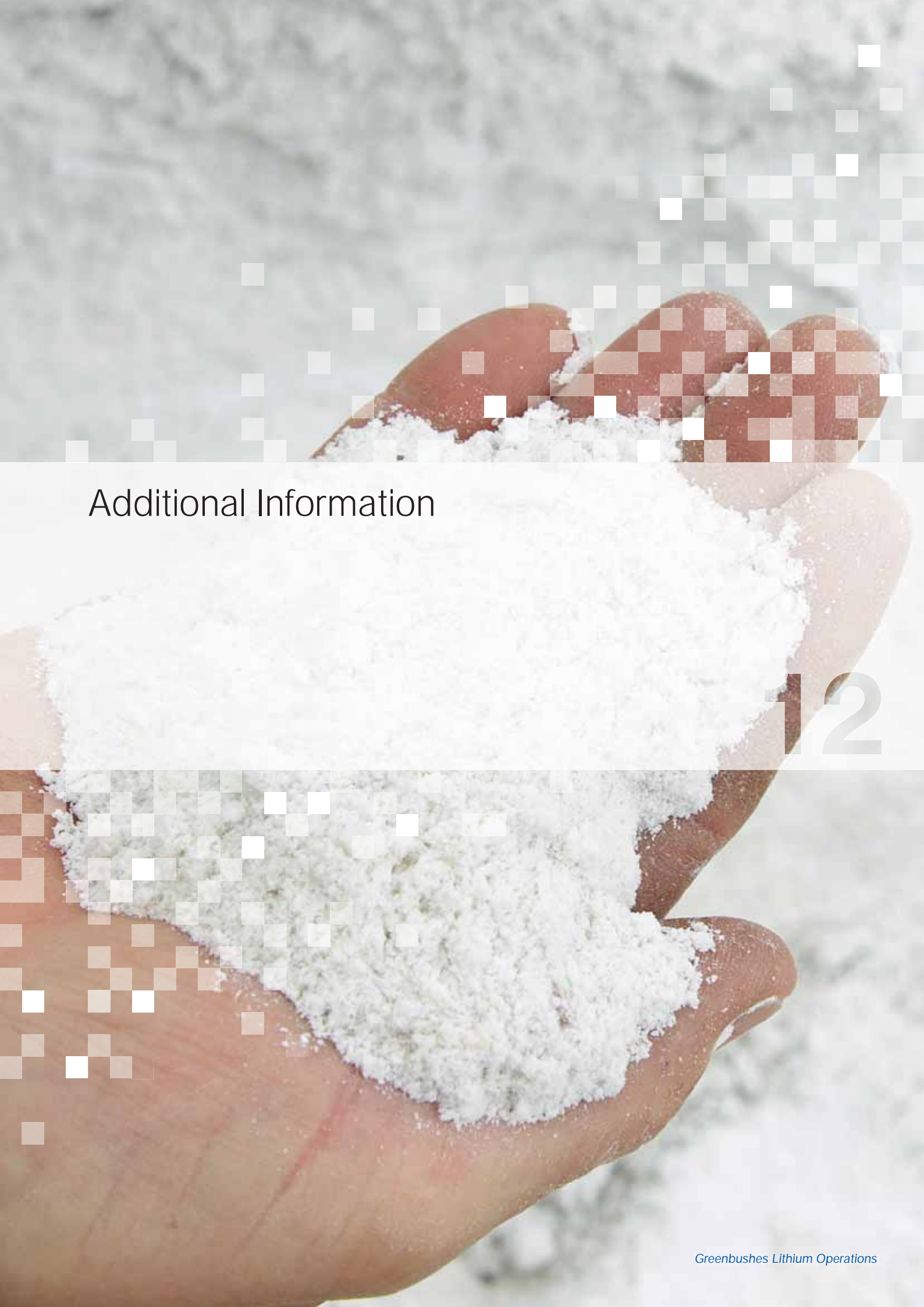
Notes Part E. Unregistered Native Title Claims

E1. Single Noongar Claim: Federal Court number WAD6006/03.

E2. South West Boorjarah: Federal Court number WAD6279/98.

Notes Part F. Registered Aboriginal Heritage (Sites and Places)

F1. Registered Site ID: 20434: Blackwood River. Site type: Mythological. Access: Open.



Additional Information

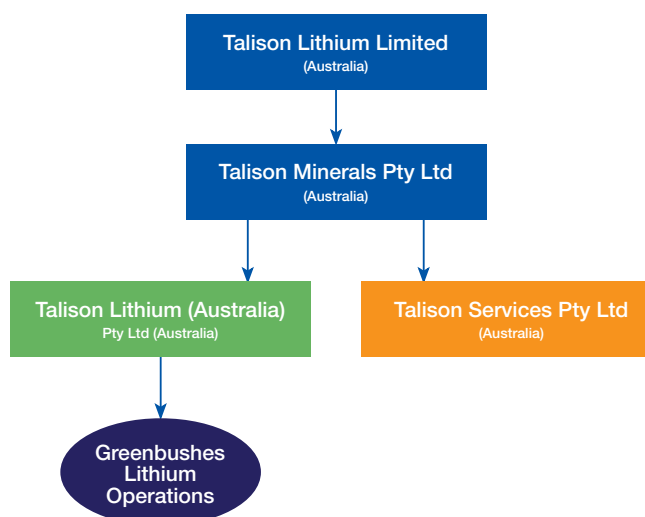
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12. Additional Information

12.1 Company history and corporate structure

The Company was incorporated as a public company on 22 October 2009. Talison Minerals was incorporated as a proprietary company on 24 May 2007.

Set out below is the corporate structure of the Company and its subsidiaries after giving effect to the Pre-Offer Reorganisation. For discussion of the Pre-Offer Reorganisation, refer to Section 5.9.



12.2 Capital Structure

As at the date of this Prospectus, the Company has one Share on issue which is held by the Selling Shareholder.

Immediately following the Pre-Offer Reorganisation and prior to completion of the Offer, the Company will have an aggregate of 50 million Shares on issue and 2 million Options. Immediately following the closing of the Offer, Talison Lithium will have 85 million Shares on issue and 2 million Options.

If the Canadian Syndicate exercises the Over-Allotment Option, Talison Lithium will have 87 million Shares on issue and 2 million Options.

See Section 3.10 for further information about the Existing Shareholders of the Company.

12.3 Summary of Rights and Liabilities Attaching to Shares

The rights attaching to Shares are set out in the Constitution, and in some circumstances, regulated by the Corporations Act, ASX Listing Rules, ASTC Settlement Rules and the general law.

The principal rights, liabilities and obligations attaching to the Shares are summarised below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Shareholders.

(a) Meetings

In accordance with Section 250N of the Corporations Act, annual meetings of shareholders must be held at least once in each calendar year and within five months after the end of the Company's financial year. Under Section 250R of the Corporations Act, the business of an annual meeting may include any of the following, even if not referred to in the notice of meeting: (i) the consideration of the annual financial report, Directors' report and auditor's report; (ii) the election of Directors; (iii) the appointment of the auditor; and (iv) the fixing of the auditor's remuneration. Under the Constitution and Part 2G.2 Division 3 of the Corporations Act, at least 28 days' notice must be given of a meeting of shareholders. No business shall be transacted at an annual meeting unless a quorum is present comprising three shareholders present in person, by proxy, attorney or corporate representative.

(b) Voting

Subject to any rights or restrictions as to voting attached to any class of shares at any annual or general meeting of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every shareholder who is present in person or by proxy, attorney or representative shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares (excluding amounts credited).

A poll may be demanded by at least five shareholders present in person or by proxy, attorney or representative; by shareholders with at least 5% of the total voting rights of all shareholders having the right to vote on the resolution; or by the Chairman.

(c) Dividends

The Board may from time to time declare a dividend to be paid to shareholders entitled to any such dividend. No dividend shall be payable except out of profits.

(d) Issue of Shares

Subject to the Company's Constitution, the ASX Listing Rules and the Corporations Act, the Board may at any time issue such number of shares either as Shares or shares of another named class and on such terms as the Board in its absolute discretion determines. In order to issue greater than 15% of existing shares on issue in any year, the Company must seek separate shareholder approval, subject to certain exceptions and unless the ASX grants the Company a waiver from the relevant ASX Listing Rules.

(e) Foreign Ownership of Shares

Under the Constitution, there is no limit or restriction on the foreign ownership of the Company's securities except where such limits are prescribed or limited by Australian law.

(f) Transfer of Shares

Subject to the Constitution, a shareholder may transfer any shares held by them by any method of transferring or dealing in shares that is permitted by ASX or operated in accordance with the ASX Listing Rules and the Corporations Act, or by an instrument in writing in any usual or common form or any other form the Directors approve. The Board may refuse to register any transfer of shares where the ASX Listing Rules permit or require the Company to do so; or the transfer is a transfer of Restricted Securities (as defined under the ASX Listing Rules) which is or might be in breach of the ASX Listing Rules or any escrow agreement entered into by the Company in relation to such Restricted Securities under the ASX Listing Rules.

(g) Reduction of Share Capital

The Company may reduce its share capital by any of the means authorized by the Corporations Act, subject to the provisions of that law and, where applicable, the ASX Listing Rules. The Company may reduce its share capital in any way, including, but not limited to, distribution to shareholders securities of any other body corporate and for the shareholder to be bound by the constitution of that body corporate. Any reduction in share capital must be authorized or approved in accordance with Part 2J.1 of the Corporations Act.

(h) Share Buy-Backs

The Company may buy shares in itself by any of the means authorized by the Corporations Act, subject to the provisions of that law and, where applicable, the ASX Listing Rules. Subject to the Corporations Act, the Company may give financial assistance to any person or entity for the purchase of its own shares on such terms and at such times as may be determined by the Directors.

(i) Calls on Shares

The Board may, subject to the requirements of the Corporations Act and the ASX Listing Rules, make calls upon a shareholder in respect of any money unpaid on the shares of that shareholder. Under the Corporations Act, a shareholder who is liable to pay calls on partly-paid shares is liable to do so in accordance with the terms on which the shares are on issue. Subject to the ASX Listing Rules, the Board may revoke or postpone a call once it has been made. A call is deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required or permitted to be paid by instalments. An amount that, by the terms of issue of a share, becomes payable on allotment or at a fixed date is deemed to be a call made and payable. Each shareholder must pay to the Company at the time or times and place so specified the amount called on the shares,

on receiving such notice as the ASX Listing Rules shall require, except that no call shall be payable earlier than ten business days from the day of the call. The joint holders of a share are jointly and severally liable to pay all calls in respect of the share. If a sum called in respect of a share is not paid before or on the day appointed for payment of the sum, the Directors may require the person from whom the sum is due to pay interest on the sum from and including the day for payment to the time of actual payment.

(j) Winding Up

If the Company is wound up, a liquidator may, with the authority of a special resolution of the shareholders, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value for the property to be divided as the liquidator considers fair and may determine how the division is to be carried out as between the shareholders or different classes of them. Under Australian law, a shareholder may only be liable to contribute to the Company's property, in the instance that the Company is being wound up, to the extent of which the shareholder is liable for any amounts unpaid on the shareholder's shares.

(k) Variation of Rights

Under the Constitution and Section 246B of the Corporations Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to the shares may be varied with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorized by a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation of rights is subject to the Corporations Act.

(l) Directors

The Company shall at all times have a minimum of three Directors, at least two of whom must ordinarily reside in Australia. The maximum number of Directors is eleven.

(m) Directors Voting

Under the Constitution, questions arising at any director's meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote, but the Chairman shall have no casting vote where only two Directors are competent to vote on the question.

(n) Alteration of Constitution

The Constitution can only be amended by a special resolution a copy of which, together with a copy of the modification to the Constitution, must be filed with Australian Securities and Investments Commission within 14 days of the resolution being passed.

12. Additional Information

12.4 Employee Incentive Plans

Talison Lithium has established plans to assist in the attraction, retention and motivation of employees and senior executives of the Group. These plans are the EVA Scheme and the Long Term Incentive Plan.

A Summary of the key terms for each plan is set out below.

(a) EVA Scheme

An annual performance bonus is a short-term variable element of compensation and payments will be linked to the performance of Talison Lithium and each executive's contribution to that performance.

The EVA Scheme is a short-term incentive plan which applies to the Company's executive and management levels and provides competitive bonuses that reflect the Company's overall performance. The target bonus determinations for all executive officers will be based on the achievement of the target profitability of the Company for the year. The target profitability is defined by the Company as growth in economic value add (**EVA**). EVA targets are set based on the long-term achievement of returns in excess of the Company's weighted average cost of capital, but set on an annual basis.

Target bonuses for the 2010 financial year will be set at 40% of base salary for all Executive Directors and executive officers. The target incentive for all positions will be a percentage of base salary and will generally align at the median point of the comparator group for positions with similar responsibilities. The target bonus represents the amount that would be paid if the annual EVA target was achieved. Actual payouts may be above or below target depending on performance. If the Company's performance in any given year is significantly below target a negative bonus may accrue which will need to be satisfied in future years before any bonuses are paid. In addition, the EVA Scheme will be designed to encourage sustained EVA growth; therefore, only half of the achieved bonus in any one year is paid to the executive, with the balance being banked and only paid if the incentive target for the next year is achieved.

Talison Lithium will transition from Talison Minerals' short-term incentive plan by carrying forward the banked bonus of each employee from the Talison Minerals' plan as at 1 July 2009 into the EVA Scheme. The Board will then re-set bonus targets for the 2010 financial year and, based on the full year results for the 2010 financial year against the revised targets, the bonus entitlement of each employee will be calculated in accordance with the EVA Scheme.

(b) Long Term Incentive Plan

Description of the Long Term Incentive Plan

The Long-Term Incentive Plan will be administered by the Corporate Governance, Appointments and Remuneration Committee. Full and final authority with respect to granting of Options under the Long-Term Incentive Plan and amending the Long-Term Incentive Plan will rest with the Board.

Grants of Options to Talison Lithium's executives will be based on:

- (i) the executive's level of performance;
- (ii) the executive's level of responsibility within the Group;
- (iii) the number and exercise price of Options previously issued to the executive;
- (iv) the overall aggregate total compensation package provided to the executive. A Black-Scholes valuation is used to determine the value of any long-term Options allocated; and
- (v) any other factors considered relevant by the Board or the Corporate Governance, Appointments and Remuneration Committee.

The Corporate Governance, Appointments and Remuneration Committee will make Option grant recommendations to the Board based on the above criteria. Options will typically be 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.

Options may also be granted to such Directors, officers or employees of the Company and its subsidiaries as the Corporate Governance, Appointments and Remuneration Committee may from time to time designate. The Long-Term Incentive Plan provides that:

- (i) the total number of Shares which may be reserved for issuance pursuant to Options granted under the Long-Term Incentive Plan must not exceed 5% of the outstanding issue of such Shares, at the time of grant;
- (ii) the total number of Shares which may, at any time, be reserved for issuance to insiders pursuant to Options granted under all security based compensation arrangements of the Company, including the Long-Term Incentive Plan, must not exceed 5% of the outstanding issue of such Shares; and
- (iii) the total number of Shares which may be issued to insiders pursuant to Options granted and their associates under all security based compensation arrangements of the Company, including the Long-Term Incentive Plan, within any one year period must not exceed 5% of the outstanding issue of such Shares.

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 Plan shall not exceed ten years. The Corporate Governance, Appointments and Remuneration Committee will determine the vesting provisions for Options granted under the Long-Term Incentive Plan. 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.

An initial grant of Options will occur at or about the time of the Offer. These Options will have an exercise price for each Option equal to the Final Price. The exercise price for further grants under the Long-Term Incentive Plan will not be less than the average market price over the five trading days immediately preceding the date of grant (weighted by reference to volume) for Shares sold through the TSX.

For the initial grants of Options, one third of Options granted will be vested and may be exercised during the period commencing 12 months after the date of grant, another one third during the period commencing 24 months from the grant and the final third during the period commencing 36 months from the date of grant. Vested Options from the initial grant of Options must be exercised within two years of the date of vesting.

Options granted under the Long-Term Incentive Plan are not transferable or assignable other than with the prior written consent of the Board and subject to the rules of the relevant stock exchange on which the Shares are listed or quoted. Subject to certain exceptions, in the event that an option holder ceases to provide services to the Company or a subsidiary by resignation or termination for just cause, Options vested to such option holder under the Long-Term Incentive Plan will expire 30 days following such resignation or termination. In the event of death or cessation of employment due to disability of an option holder, Options vested under the Long-Term Incentive Plan will expire one year from the death or cessation of employment due to disability of the option holder. Upon the retirement of the option holder, vested Options will expire two years after the date of retirement. In all circumstances unvested Options at the date the services are no longer provided will lapse.

The value of the Options granted will be determined by a Black Scholes option pricing model on the basis of the following variables: (a) an expected life of three, four and five years respectively, (b) a volatility rate of 65%, and (c) a risk free interest rate ranging from 0.6-1.9% depending on the expected life. The valuations will be reviewed by the Corporate Governance, Appointments and Remuneration Committee and approved by the Board.

Under its current terms, the Board may at any time suspend, terminate or amend the Long-Term Incentive Plan in any respect; provided, however, that the Board may not, without the approval of the shareholders, amend the Long-Term Incentive Plan or any Option granted thereunder in any manner that requires shareholder approval under applicable law or the rules and policies of any stock exchange or quotation system upon which the Shares are listed or quoted. No amendment or termination may be made which adversely affects the existing rights of any option holder without the option holder's written consent unless Talison Lithium acquires those rights at an amount equal to the fair market value of such rights verified by an independent valuator.

It is anticipated that the Options to be granted to Talison Lithium's executives and employees under the Long-Term Incentive Plan will be based on advice to be received from external human resources advisors.

12.5 Rights Attaching to Options

The Board has approved a grant of Options to the executive directors and certain employees under the Long Term Incentive Plan. The Options will be granted upon completion of the Pre-Offer Reorganisation.

All Options (other than 25,000 Options which will be granted to Mr Frank Wheatley and which will vest immediately on grant) will be granted on the basis that they vest in three equal instalments with the first occurring on the first anniversary of the grant date and subsequently, a third on each of the second and third anniversary of the grant of the Options.

Once vested, the optionholder will have two years to exercise the Options and obtain one Share for each Option held. Any vested Options remaining unexercised after the two year period will lapse. Each Option will have an exercise price equal to the Final Price.

12.6 Escrow Arrangements

Pursuant to the terms of the Engagement Letter, the Company has agreed that each of the Directors, officers and Existing Shareholders of the Company will not, subject to certain exceptions, for a period of 90 days following closing of the Offer, directly or indirectly offer, sell or otherwise dispose of Shares. The Australian Lead Manager and Canadian Syndicate have agreed to permit certain employees to sell sufficient Shares to repay any source they may have drawn on to finance the exercise of their options as described in Section 12.7. The maximum dollar value of the aggregate Shares that may be sold by employees during that period must not exceed A\$3.9 million.

The Company has received confirmation from ASX that none of the Shares on issue by the Company on completion of the Offer would be considered "restricted securities" under the ASX Listing Rules and accordingly, that none of the Shares would be the subject of escrow arrangements.

12.7 Material Contracts

The Directors consider that there are a number of contracts which are significant or material to Talison Lithium or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below. These summaries do not purport to be complete and are qualified by the text of the contracts themselves. Copies of these agreements may be inspected during ordinary office business hours at the Company's principal executive offices located at Level 4, 37 St Georges Terrace, Perth, during the period of distribution of the New Shares.

12. Additional Information

12.7.1 Pre-Offer Reorganisation Agreements

Set out below are summaries of the material agreements relating to the Pre-Offer Reorganisation.

Lithium Business Sale Agreement

On 13 November 2009, Talison Minerals, Talison Greenbushes and TLA entered into the Lithium Business Sale Agreement, pursuant to which TLA will acquire the Greenbushes Lithium Operations and all associated assets (other than certain non-transferable authorisations, as described below).

In consideration for the acquisition of the Greenbushes Lithium Operations, TLA will pay A\$62.9 million to Talison Greenbushes (the **Purchase Price**) and assume:

- all liabilities relating to the Greenbushes Lithium Operations relating to the period after completion of the acquisition;
- the obligation to supply goods or services after completion of the acquisition for which Talison Greenbushes received income or similar amounts prior to completion of the sale;
- all claims under any performance bonds; and
- other liabilities assumed under the Lithium Business Sale Agreement (but excluding trade creditors).

Payment of the Purchase Price will be satisfied by Talison Greenbushes and TLA booking appropriate inter-company loan entries in their respective accounting records to reflect the payment of the Purchase Price. These inter-company loans will be forgiven when the shares in Talison Tantalum are distributed to the Existing Shareholders pursuant to the Tantalum Share Distribution on closing of the Pre-Offer Reorganisation.

The assets of the tantalum operations are expressly excluded from the assets being purchased by TLA from Talison Greenbushes under the Lithium Business Sale Agreement and will, following the Pre-Offer Reorganisation, be held by Talison Tantalum.

Under the Lithium Business Sale Agreement, all permits, approvals and licences relating to the Greenbushes Lithium Operations which are capable of transfer will be transferred to TLA. Any authorisations which are capable of transfer and are not transferred to TLA by closing of the Pre-Offer Reorganisation must be transferred to TLA as soon as possible after such closing, and TLA may operate under such authorisations until they are transferred. Any authorisations which are not capable of transfer must be applied for by TLA and Talison Greenbushes must do all things reasonably necessary to assist TLA to obtain such authorisations. See Section 7 for further information.

Completion under the Lithium Business Sale Agreement is conditional upon:

- FIRB Approval;
- Ministerial Consent; and
- execution of the Reserved Mineral Rights Agreement, Shared Services Agreement, Crusher Licence Agreement, General Purpose Lease Secondary Sale Agreement and Tantalum Share Sale Agreement referred to below, and waiver or satisfaction of the conditions precedent to those transaction documents.

Completion of the sale of the subject of the Lithium Business Sale Agreement must take place within three business days after satisfaction or waiver of the conditions precedent referred to above.

Reserved Mineral Rights Agreement

The Lithium Business Sale Agreement expressly reserves in favour of Talison Greenbushes the rights to all minerals, other than lithium, within the Tenements to be transferred pursuant to the Lithium Business Sale Agreement.

On 13 November 2009, Talison Greenbushes and TLA entered into the Reserved Mineral Rights Agreement to coordinate the exercise of their respective mineral rights on the Tenements.

Under the Reserved Mineral Rights Agreement, Talison Greenbushes will retain the exclusive right to conduct exploration for all minerals other than lithium on the Tenements and conduct mining operations in respect of all minerals other than lithium on the Tenements.

In addition, TLA will grant Talison Greenbushes an irrevocable licence for Talison Greenbushes and its employees, agents and contractors to enter the Tenements and to bring plant and machinery, take samples (including bulk samples) of minerals, other than lithium, and exercise all or any of TLA's rights in relation to minerals, other than lithium, within the Tenements.

Each of Talison Greenbushes and TLA must notify the other after the discovery of a commercial deposit of lithium, in the case of TLA, and any other material, in the case of Talison Greenbushes. If there is a material conflict between the exercise of reserved rights by Talison Greenbushes and any existing mining operations being carried out by TLA then the existing mining operations shall take priority over the exercise of any reserved rights by Talison Greenbushes. If either party proposes to undertake new mining operations, it must first provide three months written notice to the other party of the proposed start date and deliver a proposed mine development plan. If, at the time a notice of new mining operations is received by TLA, mining operations are being conducted by TLA in the mining area identified by Talison Greenbushes in the mine development plan, then Talison Greenbushes must not propose to commence mining operations earlier than 12 months from the date of the notice. If the parties are unable to agree to the basis for the concurrent mining with the existing contract mining agreement or a new third party contract miner, then the party proposing the new mining operations shall be entitled to commence those mining operations.

The Reserved Mineral Rights Agreement provides that minerals recovered by Talison Greenbushes other than lithium will be the property of Talison Greenbushes. Minerals other than lithium contained in any tailings or other waste produced by TLA can be processed by Talison Greenbushes and will be the property of Talison Greenbushes.

Talison Greenbushes is liable for any rehabilitation obligations arising out of its right to conduct exploration and mining operations for all minerals other than lithium on the Tenements. Both Talison Greenbushes and TLA must indemnify each other against any claim or loss arising out

of or in connection with any negligent act or omission, any breach, any third party claims, personal injury, death or occupational disease to personnel (except to the extent such claim or loss results from any breach of statute or by wilful misconduct or negligent act or omission of Talison Greenbushes, TLA or any of their personnel). This indemnity is subject to TLA remaining liable to, and Talison Greenbushes being liable to, satisfy the rehabilitation obligations attaching to the Tenements.

Shared Services Agreement

On 13 November 2009, Talison Minerals, Talison Wodgina, Talison Marketing, Talison Services, Talison Greenbushes and TLA entered into the Shared Services Agreement, pursuant to which the parties have agreed, upon completion of the transfer of the Greenbushes Lithium Operations under the Lithium Business Sale Agreement, to commence negotiations in good faith and use their best endeavours to agree to terms of a definitive agreement in respect of shared services described below before 30 June 2010.

The Shared Services Agreement provides that the definitive agreement will set out the terms and conditions under which the following services are to be shared between those parties:

- the Greenbushes Administration Building, Greenbushes Laboratory, Greenbushes Training Facility;
- the Perth office located at Level 4, 37 St Georges Terrace, Perth, Western Australia;
- utilities including water, power, gas and rates;
- personnel;
- other services; and
- other facilities, including tailings facilities.

In relation to the Greenbushes administration building, Greenbushes laboratory and Greenbushes Training Facility, a formal agreement will be required if Talison Greenbushes requires any office space or the provision of laboratory services by Talison Lithium. Talison Greenbushes may request the lease of office space but Talison Lithium is under no obligation to grant the lease. Any lease is to be on standard commercial terms. Access to Talison Lithium's training facilities and laboratory services is to be on a cost plus 5% margin basis.

A formal agreement will also be required if Talison Lithium agrees to provide office space to Talison Greenbushes at the Perth office. The sub-lease will contain the same default and termination clauses as under the head lease. The rent is to be based on market rates.

Utilities are generally to be provided by Talison Lithium on a cost plus 5% margin basis. However, gas is to be separately supplied and invoiced by a third party. Water, shire and tenement rates are to be split equally. Talison Lithium will own all water plants and power reticulation and will grant Talison Greenbushes a licence to access. Any substantial capital expenditure in relation to water and power infrastructure which is outside the ordinary course of business is to be shared on a fair and reasonable basis as agreed between the parties in good faith.

Talison Lithium must provide personnel or other services if requested by Talison Greenbushes for up to six months after completion of the Pre-Offer Reorganisation. If such services are provided, a formal agreement will be required and services will be charged to Talison Greenbushes on a cost plus 5% margin basis.

Talison Lithium will be responsible for maintaining all tailings facilities and waste dumps. A non-exclusive licence will be granted to Talison Greenbushes to access and use the tailings and waste dump facilities. Charges will be levied on a cost plus 5% margin per tonne of tailings or waste deposited by Talison Greenbushes. Cost for expansion of tailings capacity will be by mutual consent and costed on the same basis as usage. The cost of new or expanded waste dumps will be calculated on the life of the mine ore reserves for both operations. Roads will be owned by Talison Lithium and access granted to Talison Greenbushes under a non-exclusive licence on a cost plus 5% margin basis.

Crusher Licence Agreement

On 13 November 2009, Talison Greenbushes and TLA entered into the Crusher Licence Agreement pursuant to which TLA will be granted a non-exclusive licence to access the general purpose lease (the **GPL**) on which a crusher will be situated to enable TLA to use that crusher. The GPL is to be applied for by TLA in accordance with the Lithium Business Sale Agreement and upon being granted the GPL, TLA must transfer the GPL to Talison Greenbushes in accordance with the General Purpose Lease Secondary Sale Agreement, discussed below. However, the granting of the non-exclusive licence will enable TLA to operate and maintain the crusher owned by Talison Greenbushes and located at the Greenbushes Lithium Operations. The grant of the non-exclusive licence does not confer any estate or interest in the GPL or the crusher.

TLA must pay a monthly fee of 5% of the monthly operating costs and expenses of operating and maintaining the crusher and stockpiling the ore to Talison Greenbushes for use of the crusher. TLA is also responsible for and must pay all costs and expenses in operating and maintaining the crusher and stockpiling the rock including costs of water and power, spares and consumables, personnel to operate and maintain the crusher and any costs or expenses in complying with any law, permit or approval. If TLA fails to pay any amount that is due to Talison Greenbushes, then TLA will pay interest on the overdue amount, calculated on a daily basis.

During the term of the Crusher Licence Agreement, TLA must:

- comply with the obligations of Talison Greenbushes under the GPL, the Mining Act, all laws and the maintenance plan for the crusher;
- obtain all necessary environmental licences, approvals and permits; and
- maintain at its own expense public liability insurance and worker's compensation insurance and motor vehicle third party property damage liability insurance.

12. Additional Information

The non-exclusive licence is to take effect on the date upon which completion occurs under the Lithium Business Sales Agreement.

Talison Greenbushes may at any time elect to recommence use of the crusher. TLA and Talison Greenbushes can then opt to enter into the Ore Tolling Agreement discussed below, pursuant to which Talison Greenbushes agrees to toll treat ore on behalf of TLA.

Ore Tolling Agreement

Talison Greenbushes and TLA may elect to enter into the Ore Tolling Agreement when and if Talison Greenbushes elects to terminate the Crusher Licence Agreement and recommence use of the crusher. From the effective date of the Ore Tolling Agreement, the Crusher Licence Agreement will no longer be in force and the Ore Tolling Agreement will operate as a stand alone agreement between Talison Greenbushes and TLA.

Under the Ore Tolling Agreement, TLA will agree to supply Talison Greenbushes with ore for crushing and Talison Greenbushes will crush the ore provided by TLA. Title to the ore shall remain with TLA at all times. In consideration, TLA will pay Talison Greenbushes a monthly tolling fee which includes all the costs and expenses of operating and maintaining the crusher and stockpiling the ore plus a profit margin of 5% of this amount.

Talison Greenbushes must maintain the crusher in accordance with good industry and commercial practice.

The risk of loss or damage to the ore will pass from TLA to Talison Greenbushes when the ore is delivered to Talison Greenbushes by being uploaded at the delivery point, and will pass back to TLA when the ore is delivered to TLA by being stockpiled at the return point. Talison Greenbushes will not be responsible for incidental loss of ore that is a normal part of the crushing process.

General Purpose Lease Secondary Sale Agreement

Pursuant to the Lithium Business Sale Agreement, TLA must, in consultation with Talison Greenbushes, prepare and lodge with the DMP, conditional partial surrenders for, and applications for, general purpose leases over M01/6 and GPL01/01, and mining lease M01/3, together with such other area as is reasonably required by Talison Greenbushes for its tantalum operations, as agreed with TLA (**GPL Applications**).

On 13 November 2009, TLA and Talison Greenbushes entered into the General Purpose Lease Secondary Sale Agreement, pursuant to which TLA has agreed to transfer to Talison Greenbushes the general purpose leases to be granted in accordance with the GPL Applications (**GPL Tenements**).

The sale and purchase of the GPL Tenements contemplated by the General Purpose Lease Secondary Sale Agreement is subject to and conditional upon:

- completion occurring under the Lithium Business Sale Agreement;
- the grant of the GPL Tenements on terms satisfactory to Talison Greenbushes (acting reasonably); and

- Ministerial Consent in writing to the transfer of the GPL Tenements to Talison Greenbushes.

The settlement date of the sale the subject of the General Purpose Lease Secondary Sale Agreement will take place five business days after satisfaction of the conditions or such other day as the parties agree in writing.

On the settlement date, TLA must deliver to Talison Greenbushes signed transfers of the GPL Tenements together with all issued instruments of title held by TLA for the GPL Tenements. TLA will hold all right, title and interest in the GPL Tenements on trust for Talison Greenbushes until the transfers are stamped and registered with the DMP in the name of Talison Greenbushes.

Call Option Deed

On 13 November 2009, the Company and each of the Founding Shareholders entered into the Call Option Deed pursuant to which the Founding Shareholders will grant the Company an Option to acquire all of their shares in the capital of Talison Minerals. Upon exercising that Option, the Company will issue Shares. The shares to be granted include those shares issued to the Founding Shareholders upon conversion of their preference shares and exercise of their Options in Talison Minerals. The Call Option Deed includes an obligation on the Founding Shareholders to exercise all of their Options to purchase shares in Talison Minerals prior to completion of the Call Option Deed.

Pursuant to the Call Option Deed, the Founding Shareholders will receive an aggregate of 48.7 million Shares, which will represent approximately 57.4% of the Shares following completion of the Offer (56.0% if the Over-Allotment Option is exercised in full).

Completion under the Call Option Deed is conditional on FIRB Approval, receipt of signed copies of the Employee Option Exercise and Share Option Deeds and completion of the Tantalum Share Distribution. Completion of the share transfer under the Call Option Deed is expected to occur on the date of closing of the Offer and prior to issue of the New Shares under the Offer.

Employee Option Exercise and Share Option Deeds

Prior to the closing of the Pre-Offer Reorganisation, Talison Minerals has granted a total of 3.9 million Options to the Employee Shareholders under its long-term incentive plan.

Talison Minerals, the Company and each Employee Shareholder have entered into Employee Option Exercise and Share Option Deeds, pursuant to which all Employee Shareholders have agreed to exercise all of their Options to purchase shares of Talison Minerals and then grant the Company an option to exchange those shares for Shares.

The Company will issue a total of 1.3 million Shares to the Employee Shareholders pursuant to the Employee Option Exercise and Share Option Deeds, which will represent approximately 1.5% of the total number of issued Shares following completion of the Offer (1.4% if the Over-Allotment Option is exercised in full). On a fully diluted basis, the Existing

Shareholders will own approximately 58.8%¹ of the Shares after completion of the Offer (57.5% if the Over-Allotment Option is exercised in full). If the Selling Shareholder sells 3.5 million Existing Shares under the Offer, the Existing Shareholders, on a fully diluted basis will own approximately 54.7% of the Shares after completion of the Offer (53.4% if the Over-Allotment Option is exercised in full).

12.7.2 Agreements relating to the Offer

Offer Management Agreement

The Company and the Selling Shareholder have entered into the Offer Management Agreement dated 23 November 2009 with the Australian Lead Manager under which the Australian Lead Manager agrees to manage the Australian Offer and conduct the Australian Institutional Offer.

Fees and expenses

The Company has agreed to pay the Australian Lead Manager a fee of 5% of the proceeds of the Australian Offer (excluding proceeds received in respect of the Employee Offer and from the issue and transfer of Offer Shares and Applicants identified by the Chairman, the Company, the Existing Shareholders, Rothschild Australia Limited or their associates up to a limit of 10% of the Offer Shares), payable at the same time that fees are paid by the Company to the Canadian Syndicate under the proposed Settlement Support Agreement.

In addition, the Company may pay the Australian Lead Manager a discretionary fee of up to 0.25% of the proceeds of the Australian Offer (excluding proceeds received in respect of the Employee Offer and those Applicants referred to above), payable within 10 business days of payment of the fee referred to above.

The Company has also agreed to pay or reimburse the Australian Lead Manager for various costs and expenses related to the Australian Offer.

Representations and warranties

The Offer Management Agreement contains various representations and warranties and imposes various obligations on the Company and the Selling Shareholder, including to ensure that the Prospectus and the Australian Offer comply with the Corporations Act, the ASX Listing Rules and all other applicable laws.

In addition, the Company gives certain undertakings in the Offer Management Agreement, including an undertaking that, subject to certain exceptions (including the Pre-Offer Reorganisation) it will not, without the consent of the Australian Lead Manager, for the 120 day period following issue and transfer of Offer Shares under the Australian offer, allot or agree to allot any securities.

Indemnity

Subject to certain exceptions (including fraud, wilful misconduct, recklessness and gross negligence of the Australian Lead Manager), the Company and the Selling Shareholder have agreed to indemnify the Australian Lead Manager and parties affiliated with it against certain losses incurred in connection with the Australian Offer. This indemnity will not cover losses recovered under the proposed Settlement Support Agreement.

Termination events

The Australian Lead Manager may terminate its obligations under the Offer Management Agreement, by giving notice to the Company and the Selling Shareholder, if any one or more of the following events occur:

- (a) **(material change)** there shall occur any material change or change in a material fact which, in the reasonable opinion of the Australian Lead Manager, has or would be expected to have a significant adverse effect on the market price or value of the Shares;
- (b) **(settlement support agreement)** the proposed Settlement Support Agreement is not executed within 24 hours of completion of the Global Bookbuild (or if executed, is subsequently terminated);
- (c) **(disaster out)** there should develop, occur or come into effect or existence any event, action, state, condition, or major financial occurrence of national or international consequence or any law or regulation which in the reasonable opinion of the Australian Lead Manager seriously adversely affects or involves, or will, seriously adversely affect or involve, the financial markets or the business, operations or affairs of the Company and the Group taken as a whole;
- (d) **(market out)** the state of the financial markets in Canada, Australia or elsewhere where it is planned to market the Offer Shares is such that in the reasonable opinion of the Australian Lead Manager the Offer Shares cannot be marketed profitably;
- (e) **(regulatory out)** there shall have occurred any order, inquiry, action, suit, investigation or other proceeding (whether formal or informal) (including matters of regulatory transgression or unlawful conduct) is commenced, announced or threatened or any order made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the TSX or the ASX, or any securities regulatory authority against the Company or any of its officers, Directors or Existing Shareholders or if any law or regulation is enacted or changed which in the opinion of the Australian Lead Manager, acting reasonably, operates or threatens to prevent, cease or restrict the issuance or trading of the Offer Shares by the Company, its officers, Directors or Existing Shareholders or materially and adversely affects or will materially and adversely affect the market price or value of the Offer Shares.

¹ Assumes the Selling Shareholder does not sell any of its Existing Shares under the Offer.

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- (f) (**market fall**) the All Ordinaries Index of ASX is:
- (i) at the close of normal trading on two consecutive business days on or after the date of this Prospectus and prior to the business day before the Institutional Offer opens; or
 - (ii) at any time on and from the business day before the Institutional Offer opens up to and including the day on which the proposed Settlement Support Agreement is executed,

lower than 90% of the level of that Index as at the close of trading on ASX on the business day immediately prior to the date of this Prospectus; and

- (c) (**representations and warranties**) the Company or Selling Shareholder is in breach of a material term of the Offer Management Agreement, or any material representation or warranty given by the Company or the Selling Shareholder under the Offer Management Agreement is breached or is not true and correct in all material respects.

Termination events (f) and (g) are operative only until execution of the proposed Settlement Support Agreement, whereas events (a) to (e) are operative until the issue and transfer of Offer Shares under the Canadian Offer.

For the purpose of the termination events noted above:

“material change” when used in relation to the Company, means:

- (i) a change in the business, operations or capital of the Company or the Group that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the Company; or
- (ii) a decision to implement a change referred to in subclause (i) made by the board of directors or other persons acting in a similar capacity or by senior management of the Company (or as applicable, the Group) who believe that confirmation of the decision by the board of directors or such other persons acting in a similar capacity is probable; and

“material fact” when used in relation to securities issued or proposed to be issued, means a fact that would reasonably be expected to have a significant effect on the market price or value of the securities.

The above description of the Offer Management Agreement is a summary only and is not intended to set out in detail all of its provisions.

Engagement Letter and proposed Settlement Support Agreement

Talison Minerals has entered into the Engagement Letter dated 28 September 2009, and the Supplement to the Engagement Letter dated 27 October 2009, with the Canadian Lead Manager.

The Engagement Letter does not impose any obligation on the Canadian Lead Manager to underwrite the Canadian Offer (or any other part of the Offer). However, the Engagement Letter contemplates that the Canadian Syndicate will assume obligations to provide settlement support upon the execution of the Settlement Support Agreement. It is proposed that

the Settlement Support Agreement will be entered into after completion of the Global Bookbuild and that the Company and the Selling Shareholder (if the Selling Shareholder elects to sell any of its Existing Shares and is a party to the agreement) will pay:

- a cash fee equal to 5.0%; and
- in their absolute discretion, a cash discretionary fee of 0.25%,

of the gross proceeds of the Canadian Offer in proportion to the number of New Shares and Existing Shares, respectively, sold by each of the Company and the Selling Shareholder, excluding any proceeds received from the issue or transfer of Offer Shares to Applicants identified by the Chairman, the Company, the Selling Shareholder or their associates, up to a limit of 10% of the Offer Shares.

The proposed Settlement Support Agreement would also provide that:

- the Company and the Selling Shareholder would pay or reimburse the Canadian Syndicate for various costs and expenses of, and incidental to, the Canadian Offer, including legal fees (up to a maximum of C\$250,000) and all reasonable out-of-pocket expenses; and
- the Company would indemnify the Canadian Syndicate and the Australian Lead Manager and parties affiliated with them against claims, demands, damages, losses, costs, expenses and liabilities directly or indirectly incurred, in connection with the Canadian Offer, other than in certain circumstances.

It is proposed that the Settlement Support Agreement would contain substantially the same termination events as the Offer Management Agreement.

12.8 Ownership Restrictions

The sale and purchase of Shares and subscription for Shares under the Offer is regulated by laws that restrict the level of ownership or control by persons (either alone or collectively), including the following:

(a) Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA)

Generally, the FATA applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (substantial interest) or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest).

Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and he has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's "Foreign Investment Policy" or a statutory period has expired without his objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

(b) Corporations Act 2001 (Cth) and Relevant Interests

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in ASX-listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes obligations on Shareholders (and other persons holding relevant interests) of ASX-listed companies to file details of, including changes in, substantial security holdings with the Company and ASX.

12.9 ASIC Exemptions and Modifications

The Company and the Selling Shareholder have applied to ASIC for relief from section 707 of the Corporations Act to permit, without the requirement to lodge a further prospectus, the resale of:

- (a) Shares issued or transferred under the Canadian Prospectus; and
- (b) Shares issued on the exercise of the Over-Allotment Option.

If such relief is not granted, the Company intends to lodge a further prospectus for secondary sale purposes in accordance with sub-section 707A(11) of the Corporations Act.

12.10 ASX Waivers

The Company has applied to ASX for the following relevant waivers in relation to the requirements of the ASX Listing Rules:

- (a) a waiver from ASX Listing Rules 5.1, 4.2A, 4.2B, 4.3A and 4.3B, being the quarterly, half-yearly and annual reporting requirements imposed on mining producing entities under the ASX Listing Rules;
- (b) a waiver from ASX Listing Rule 7.1 to allow the Company to issue new securities without shareholder approval under ASX Listing Rule 7.1;
- (c) a waiver from ASX Listing Rule 10.11 to the extent necessary to permit the Company to issue or agree to issue securities to a related party (as defined in the ASX Listing Rules) without shareholder approval; and
- (d) a waiver from ASX Listing Rule 10.14 to the extent necessary to permit the Company to allow Directors (and Directors' associates) to acquire securities under an employee incentive scheme without shareholder approval.

Each waiver referred to above has been requested on condition that the Company complies with the requirements imposed on Talison Lithium under applicable Canadian securities laws and the rules prescribed by the TSX Company Manual to which it shall be subject following the issuance of a receipt for the final Canadian Prospectus and listing of the Shares on the TSX.

The Company expects to first receive in-principle advice from ASX in respect of the applications noted above and will then apply for confirmation from ASX of this in-principle advice as part of its listing application.

12.11 Interests and Benefits of Directors

Other than as set out below or elsewhere in this Prospectus, no Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the 2 years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer.

Other than as disclosed in this Prospectus, no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any Director:

- to induce a person to become, or qualify as a Director; or
- for services provided by a Director in connection with the formation or promotion of the Company or the Offer.

12.12 Directors' Interests in Securities

The interests of the Directors in Shares and Options following completion of the Pre-Offer Reorganisation and the Offer is set out in the table below. Interests include those held directly or otherwise.

Name	Shares	Options
Peter Oliver	80,489	750,000 ¹
Peter Robinson	469,516	–
Frank Wheatley	nil	275,000 ¹
Mark Smith	nil	250,000 ¹
Mason Hills	nil ²	–
Bryan Ellis	80,489	–
Ronnie Beevor	40,244	–

Notes:

1. For terms of the Options, see Section 12.4.
2. Mr Hills is Vice President Legal of RCF which holds 28.4 million Existing Shares.

On completion of the Offer, the Directors will beneficially own, directly or indirectly, 670,738 Shares, representing approximately 0.79% of the Shares on issue as at completion of the Offer (0.77% if the Over-Allotment Options is exercised in full).

12.13 Remuneration of Non-Executive Directors

The Constitution provides that the non-executive Directors are entitled to such remuneration as determined by the Directors, which must not exceed in aggregate the maximum annual amount determined by Talison Lithium in general meeting.

Currently it has been determined that such remuneration will not exceed A\$750,000 per annum, to be apportioned among the non-executive Directors as the Board determines. The Directors acknowledge that as Talison Lithium grows, the demands on the Directors will increase and the non-executive Directors' fees will be increased commensurate with their

12. Additional Information

responsibilities and workload, as determined by the Board and approved by the Shareholders.

In consideration for serving on the Board during the 2010 financial year, each non-executive Director will be compensated as indicated below:

Type of Fee	Amount per annum (A\$)
Annual Retainers	
Chairman	200,000
Lead Director	100,000
Non-Executive Director	100,000

Note: Amounts include superannuation benefits.

It is envisaged that the Chair of each Board committee will receive an additional fee to compensate him or her for the additional responsibilities and time commitment of the role; however, these fees are yet to be determined by the Board and will be in line with normal market practice.

12.14 Remuneration of Executive Directors and Executive Officer

Talison Lithium has entered into an employment agreement with Peter Oliver to govern Mr Oliver's employment with the Company, which is dated 9 November 2009. Mr Oliver is Managing Director of Talison Lithium and is employed in the position of Chief Executive Officer. Mr Oliver will receive total fixed remuneration (base salary, vehicle, insurance and superannuation) of approximately A\$475,000.

Talison Lithium has entered into an employment agreement with Frank Wheatley to govern Mr Wheatley's employment with the Company, which is dated 10 November 2009. Mr Wheatley is employed in the position of Executive Director – Corporate Affairs and Strategy. Mr Wheatley will receive total fixed remuneration (base salary and medical insurance) of approximately C\$370,000.

Talison Lithium has entered into an employment agreement with Lorry Mignacca to govern Mr Mignacca's employment with the Company, which is dated 10 November 2009. Mr Mignacca is Company Secretary and Chief Financial Officer of Talison Lithium. Mr Mignacca will receive total fixed remuneration (base salary, insurance and superannuation) of approximately A\$387,913.

Under the terms of employment agreements (which are conditional on completion of the Offer) for each of Mr. Oliver, Mr. Wheatley and Mr. Mignacca:

- the executive may at any time terminate the employment contract by giving six months' written notice to the Company;
- the Company may terminate the employment of the executive for just cause at any time; and
- the Company may terminate the employment of the executive without just cause by providing the executive 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.

12.15 Deeds of Indemnity, Insurance and Access

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

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, Company Secretary or other officer of the Company or its controlled entities to the extent permitted by law. The agreement stipulates 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 the current and former Directors and officers, including executive officers of the Company and Directors, executive officers and secretaries of its 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.

12.16 Interests and Fees of Experts, Advisers and Other Named Persons

Other than as set out below or elsewhere in this Prospectus no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- stockbroker to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the 2 years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer, and

no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer:

- (a) Macquarie Capital Advisers have acted as Australian Lead Managers to the Offer. Talison Lithium has paid, or agreed to pay, a fee described in Section 12.7 for these services;
- (b) the Canadian Syndicate have agreed to provide settlement support to the Canadian Offer. Talison Lithium has paid, or agreed to pay, a fee described in Section 12.7 for these services;
- (c) Rothschild Australia Limited have agreed to act as financial adviser to Talison Lithium in relation to the Offer. Talison Lithium has paid, or agreed to pay, approximately A\$1.99 million for these services, as at the date of this Prospectus;
- (d) Clayton Utz has acted as Australian legal adviser to Talison Lithium in relation to the Offer, has advised Talison Lithium generally in relation to its admission to the official list of the ASX, has prepared the Solicitor's Report in this Prospectus and has also performed work in relation to due diligence enquires. Talison Lithium has paid, or agreed to pay, approximately A\$700,000 for these services, as at the date of this Prospectus. Further amounts may be paid to Clayton Utz in accordance with its normal time based charge-out rates;
- (e) KPMG Transaction Services has prepared the Investigating Accountants Report on Pro Forma Historical Financial Information and Directors' Forecasts included in this Prospectus. Talison Lithium has paid, or agreed to pay, approximately A\$300,000 for these services, as at the date of this Prospectus. Further amounts may be paid to KPMG Transaction Services in accordance with its normal time based charge-out rates; and
- (f) KPMG has acted as acted as taxation adviser to Talison Lithium in relation to taxation matters associated with the Offer. KPMG has also provided audit and assurance related services in relation to the Offer. Talison Lithium has paid, or agreed to pay, approximately A\$800,000 for these tax and audit services, as at the date of this Prospectus. Further amounts may be paid to KPMG in accordance with its normal time based charge-out rates.

KPMG is the Company's auditor and has served as the auditor of Talison Minerals continuously for the past two years. Fees billed by KPMG to the Talison Minerals group for the year ended 30 June 2009 and the period from 27 August 2007 to 30 June 2008 was A\$124,194 and A\$102,602 respectively.

12.17 Expenses of the Offer

The total costs of the Offer to be borne by the Company are estimated at approximately A\$12.2 million. This includes legal, accounting and independent experts' fees, offer management fees, and other professional fees.

12.18 Consents and Disclaimers

None of the parties referred to below (each a **Consenting Party**) has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each Consenting Party, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes

no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below. Each of the Consenting Parties has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named:

- (a) Macquarie Capital Advisers Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Australian Lead Manager to the Australian Offer in the form and context in which it is named;
- (b) Cormark Securities Inc. has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Canadian Lead Manager to the Offer in the form and context in which it is named;
- (c) Behre Dolbear Australia Pty Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion of its Independent Technical Report in Section 10 in the form and context in which it is included, and to the inclusion of extracts of its Independent Technical Report in this Prospectus in the form and context in which they are included;
- (d) Quantitative Group Pty Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion of information based on the Mineral Resource Reports prepared by it in the form and context in which it is included;
- (e) Clayton Utz has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Australian legal adviser to Talison Lithium, and to inclusion of the Solicitor's Report included in Section 11 in the form and context in which it is included;
- (f) KPMG has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Auditors to Talison Lithium in the form and context in which it is named;
- (g) KPMG Transaction Services has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Investigating Accountant to Talison Lithium in relation to the Pro Forma Historical Financial Information and the Directors' Forecasts in the form and context in which it is named and to inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which it is included;
- (h) Rothschild Australia Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as financial adviser to Talison Lithium in the form and context in which it is named;
- (i) Computershare Investor Services Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as the

12. Additional Information

Australian Share Register of Talison Lithium in the form and context in which it is named;

- (j) Blake, Cassels & Graydon LLP has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named as Canadian legal adviser to the Company in the form and context in which it is named; and
- (k) Roskill Information Services Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in the form and context in which it is named and to the inclusion of extracts from its Report, "The Economics of Lithium", Eleventh Edition, 2009, in Section 4 in the form and context in which they are included.

The information in this Prospectus that relates to Mineral Resources for the Greenbushes Lithium Operations is based on information compiled by Mr Scott Jackson who is a member of The Australasian Institute of Mining and Metallurgy. Mr Jackson is a full time employee of Quantitative Group Pty Limited. Mr Jackson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jackson consents to the inclusion in the Prospectus of the matters based on the information prepared by him, in the form and context in which it appears.

The information in this Prospectus that relates to Ore Reserves for the Greenbushes Lithium Operations is based on information compiled by Mr David Miller who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Miller is a full time employee of Talison Minerals. Mr Miller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Miller consents to the inclusion in the Prospectus of the matters based on the information prepared by him, in the form and context in which it appears.

12.19 Taxation Implications

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account.

They do not apply to non-Australian tax resident Shareholders and those that do not hold their Shares on capital account, including banks, insurance companies or taxpayers that carry on a business of trading in shares.

This summary is based on the law in Australia in force at the time of issue of this Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement

of the applicable law. During the ownership of the Shares by Shareholders, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

Dividends on a Share

Broadly, dividends paid on the Shares may be franked or unfranked. Franked dividends have franking credits attached. These credits represent underlying Australian corporate tax that has been paid on the profits distributed. To the extent a dividend is unfranked no franking credits are attached.

Australian resident shareholders or complying superannuation entities will include dividends together with any attached franking credits in their assessable income. A tax offset will be allowed equal to the amount of franking credits attached to the dividend.

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

The benefit of franking credits can be denied where a Shareholder is not a "qualified person" in which case the Shareholders will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. Under the holding period rule, the Shareholder must have held the shares at risk for 45 days (not counting the day of acquisition or disposal). However, this rule should not apply to an individual whose tax offset entitlement does not exceed A\$5,000 in respect of all dividends received during the income year in which the dividend is paid.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under obligation to make, a related payment in relation to a dividend. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Individual shareholders and complying superannuation funds may receive a tax refund if the franking credits attached to the dividend exceed their tax liability for the income year.

Where the shareholder is a corporate entity, the shareholder will not be entitled to a refund for any franking credits that exceed their tax liability for the income year but may be entitled to a tax loss in exchange for the excess franking credits and this loss can be carried forward to be offset against taxable income in a later year. The receipt of a franked

dividend will also generally give rise to a credit in the corporate entity's franking account to the extent the dividend is franked (except excess credits exchanged for losses).

For Institutional Investors, the benchmark portfolio method may be available as a concession to reduce the compliance burden associated with the holding period rule.

Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Disposal of Shares

Australian resident shareholders who hold their Shares on capital account will be taxed under the Australian capital gains tax provisions.

An Australian resident shareholder will derive a capital gain where the proceeds received on disposal exceed the cost base of the Share. In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale. Any net capital gain (after recoupment of capital losses) is included in the Shareholder's assessable income.

Similarly, a shareholder will make a capital loss on the disposal of a Share where the disposal proceeds received are less than the reduced cost base of the Share for capital gains tax purposes. Capital losses can only be used to offset current year capital gains or carried forward to offset future capital gains.

A capital gains tax discount may apply to reduce the amount of net capital gains that might otherwise be included in a shareholder's assessable income.

For shareholders that are individuals and trustees (other than trustees of complying superannuation funds) a 50% capital gains tax discount is available if the shares are held for at least 12 months. This concession will result in only 50% of the capital gain (after recoupment of capital losses) being assessable (though the position of a trust may be affected by the rights and tax status of beneficiaries).

For complying superannuation funds a 33% capital gains discount is available if the Shares are held for at least 12 months. This concession will result in only 66% of the capital gain (after recoupment of capital losses) being assessable.

Tax file numbers

A Shareholder is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or dividends at the maximum marginal tax rate plus the Medicare levy.

A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN. Non-residents are exempt from this requirement.

Goods and Services Tax

Investors should not be liable for GST in respect of their investment in Shares.

The investors may not be entitled to claim full input tax credits in respect of the GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought in this respect.

12.20 Litigation

The Directors are not aware of any litigation, pending or threatened litigation or other legal proceedings in relation to the Company.

12.21 Other Legal Matters

Mr. Beevor is a former director of OZ Minerals Limited. On 7 October 2009, a class action was commenced in the Federal Court of Australia against OZ Minerals Limited in relation to its continuous disclosure obligations during the period from 21 August 2008 to 30 November 2008 for an unquantified amount. OZ Minerals Limited has announced that it believes the claim is without merit and intends to vigorously defend the claim. At the date of this Prospectus, Mr. Beevor is not a party to the class action.

12.22 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Western Australia and each Applicant submits to the exclusive jurisdiction of the courts of Western Australia.

12.23 Directors' Statement

The Directors report that, in their opinion, no circumstances have occurred since 30 June 2009 which have materially affected or will materially affect the profitability of the Company or the value of its assets and liabilities, except as disclosed in this Prospectus.

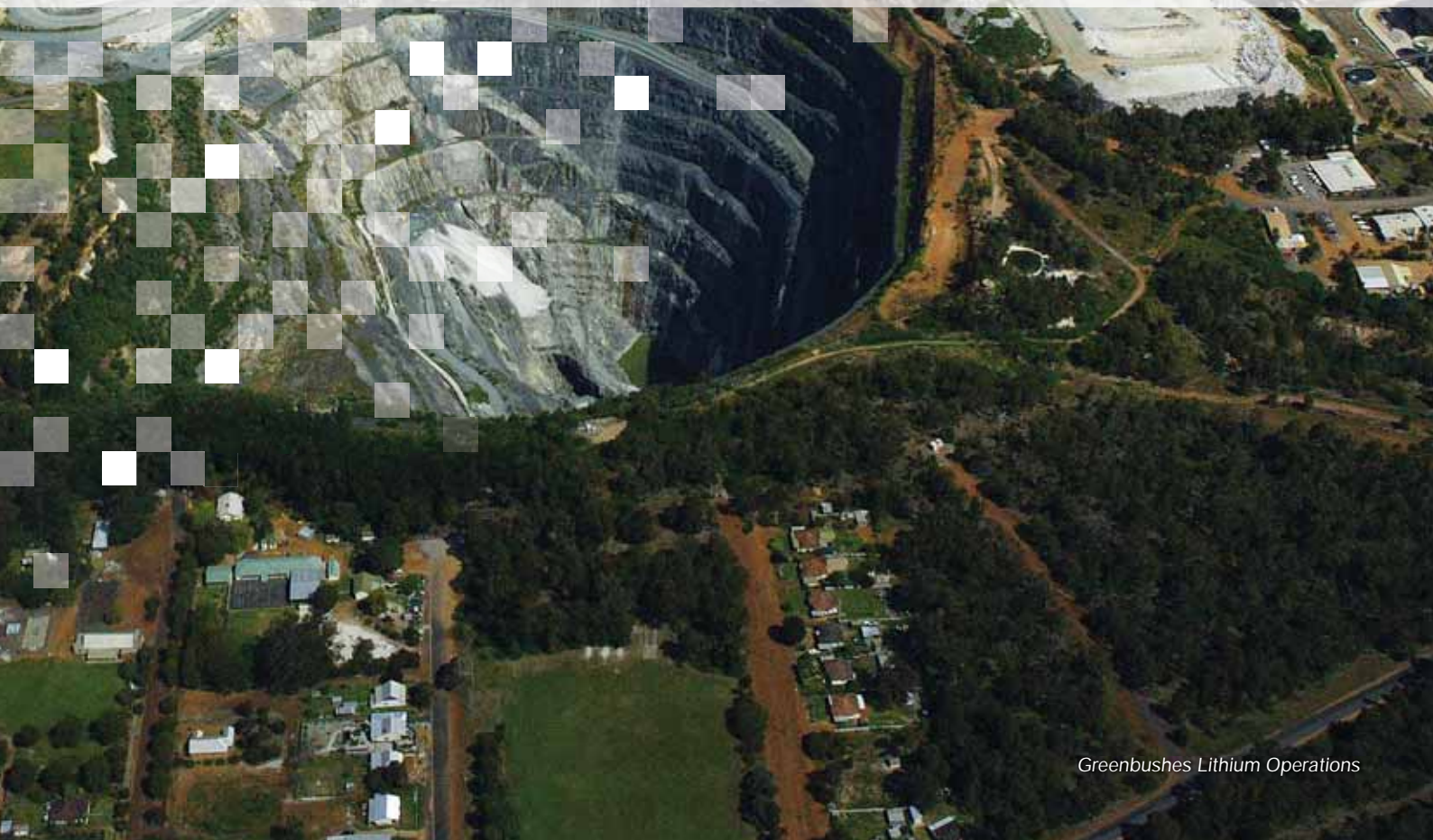
12.24 Consents to Lodgement

Each of the Directors of Talison Lithium, and each of the Directors of RCA IV GP LLC, which is the General Partner of Resource Capital Associates IV L.P., which is the General Partner of Resource Capital Fund IV L.P., has given and has not withdrawn, that person's consent to the lodgement of this Prospectus with ASIC.



Glossary and Interpretations

13



13.1 Glossary

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

Term/Abbreviation	Definition
A\$	means Australian dollar.
ABN	means Australian Business Number.
ACN	means Australian Company Number.
Applicant	means a person that makes an Application pursuant to this Prospectus.
Application Amount or Application Monies	means the monies payable in connection with an Application.
Application	means an application for Shares under the Australian Offer made by an Applicant in the manner provided by this Prospectus.
Application Form	means the relevant form attached to or accompanying this Prospectus (including the electronic version of this Prospectus) pursuant to which Applicants apply for Shares.
Asian Institutional Investors	means Institutional Investors in Singapore and Hong Kong.
ASIC	means the Australian Securities & Investments Commission.
ASTC	means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.
Associate	has the meaning given to it in the Corporations Act.
ASTC Settlement Rules	means the settlement rules of ASTC.
ASX	means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires.
ASX Listing Rules	means the official listing rules of ASX as they apply to the Company from time to time and as amended, re-enacted, replaced or superseded.
Australian Lead Manager	means Macquarie Capital Advisers Limited.
Australian Institutional Investors	means Institutional Investors residing in Australia.
Australian Institutional Offer	means the invitation to Australian Institutional Investors under this Prospectus as described in Section 3.5.
Australian Offer	means the offer of Offer Shares being made to Australian investors under this Prospectus and includes the Retail Offer and the Australian Institutional Offer.
Australian Share Register	means the share register in Australia, comprising the CHESS Subregister and the Issuer Sponsored Subregister, which is maintained on behalf of the Company by the Australian Registrar.
Australian Registrar	means Computershare Investor Services Pty Limited.
Board	means the Board of the Company as it is constituted from time to time.
Board Charter	means the charter of the Board.
Broker Firm Applicant	means an Applicant under the Broker Firm Offer.
Broker Firm Offer	means an invitation under this Prospectus to Australian resident retail clients of brokers who have received a firm allocation from their broker, as described in Section 3.4.
Business Day	has the meaning given in the ASX Listing Rules.
C\$	means Canadian dollar.
Canadian Institutional Investors	means Institutional Investors residing in Canada.
Canadian Lead Manager	means Cormark Securities Inc.

13. Glossary and Interpretation

Term/Abbreviation	Definition
Canadian Offer	means the offer of Offer Shares being made to Canadian investors under the Canadian Prospectus.
Canadian Prospectus	means the preliminary prospectus dated 13 November 2009 and filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island, and the final prospectus to be filed with such securities regulatory authorities on or around 10 December 2009, under which the Canadian Offer will be made to residents in such provinces.
Canadian Registrar	means Computershare Investor Services Inc.
Canadian Share Register	means the share register in Canada, comprising the subregister, which is maintained on behalf of the Company by the Canadian Registrar.
Canadian Securities Administrators	means a voluntary umbrella organisation of Canada's provincial and territorial securities regulators.
Canadian Syndicate	means Cormark Securities Inc and the managers and co-lead managers of the Canadian Offer.
Chairman	means the Chairman of the Board.
Company or Talison Lithium	means Talison Lithium Limited ACN 140 122 078.
Competent Person	means a person who is a member or fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a Recognised Overseas Professional Organisation (ROPO). A 'Competent Person' must have a minimum of five years' experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking (as defined in the JORC Code).
Constitution	means the constitution of the Company.
Corporations Act	means the Corporations Act 2001 (Cth).
Directors	means the directors of the Company from time to time.
Directors' Forecasts	means the Directors' Statutory Forecast and the Directors' Pro Forma Forecast.
Directors' Pro Forma Forecast	means a summary pro forma forecast income statement and statement of cash flows of the Company for the year ending 30 June 2010 prepared on the basis that the Company had been incorporated on 1 July 2009 and incorporating the forecast results of the Greenbushes Lithium Operations for the twelve months ending 30 June 2010 and adding back expenses relating to the Company's capital structure incurred as a result of the Offer which are not expected to recur in the future and has been prepared by the Directors.
Directors' Statutory Forecast	means a summary statutory forecast income statement and statement of cash flows of the Company for the period from date of incorporation of 22 October 2009 to 30 June 2010 as prepared by the Directors.
Eligible Employees	means Australian resident employees of Talison Services who are employed at 5.00 pm WST on Friday, 20 November 2009, as described in Section 3.4.1.
Eligible Foreign Institutional Investors	means Institutional Investors residing in New Zealand, Singapore or Hong Kong.
Employee Offer	means an invitation under this Prospectus to Eligible Employees, and certain other individuals as identified by the Chairman, as described in Section 3.4.1.
Employee Offer Applicant	means an Applicant under the Employee Offer.
Engagement Letter	means the engagement letter between the Canadian Lead Manager and Talison Minerals, dated 28 September 2008 and the supplement to the engagement letter, between the Canadian Lead Manager and Talison Minerals dated 27 October 2009.

Term/Abbreviation	Definition
EVs	means electric vehicles.
Existing Shareholders	means the Founding Shareholders and the Employee Shareholders.
Existing Shares	means 50 million Shares on issue following the Pre-Offer Reorganisation, held by the Existing Shareholders.
Expiry Date	means the date 13 months after the date of this Prospectus.
Exposure Period	mean, in accordance with section 727(3) of the Corporations Act, the period of seven days (which may be extended by ASIC to up to 14 days) following lodgement of the Prospectus with ASIC during which the Company and Selling Shareholder must not accept or process Applications.
FATA	means the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth of Australia).
Final Price	means the final price for the Offer Shares offered under this Prospectus, determined pursuant to the Global Bookbuild.
FIRB Approval	has the meaning given to it in Section 5.9.
Founding Shareholders	means the shareholders of Talison Minerals as at the date of this Prospectus, being the Selling Shareholder, Goldman Sachs JBWere Capital Markets Limited, Mineral Investors LP, DBSO Du II LLC, Triumph II Investments (Ireland) Limited and Fortress Credit Corporation (Australia) II Pty Ltd. The Founding Shareholders, together with the Employee Shareholders, will hold all of the issued capital in the Company on completion of the Pre-Offer Reorganisation, prior to completion of the Offer.
Global Bookbuild	means the bookbuild process conducted in conjunction with the Canadian Offer and the Australian Institutional Offer.
Greenbushes Lithium Operations	means the lithium mine and lithium processing operations located on the Tenements at Greenbushes, approximately 250 km south of Perth, Western Australia.
Group	means the Company and its subsidiaries and controlled entities or any one or more of them.
HEVs	means hybrid electric vehicles.
HIN	means Holder Identification Number.
Independent Technical Expert	means Behre Dolbear Australia Pty Ltd ACN 065 713 724.
Independent Technical Report	means the Independent Technical Report dated 23 November 2009 on the Greenbushes Lithium Operations entitled "Independent Technical Report" prepared by the Independent Technical Expert and contained in Section 10.
Indicated Mineral Resource	means that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Indicative Price Range	means A\$4.10 to A\$5.10 per Offer Share, but the Final Price may be higher or lower than the prices in this range.
Inferred Mineral Resource	means that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
Initial Public Offer or IPO	means the invitation to apply or bid for Offer Shares under this Prospectus and under the Canadian Prospectus.

13. Glossary and Interpretation

Term/Abbreviation	Definition
Institutional Investor	means an investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality with which the Company is willing to comply), including in Australia persons to whom, under section 708 of the Corporations Act offers or invitations in respect of securities can be made without the need for a lodged prospectus.
Investigating Accountant	means KPMG Transaction Services (Australia) Pty Ltd.
Investigating Accountant's Report	means the report prepared by the Investigating Accountant in respect of the Pro forma Historical Financial Information and the Directors' Forecasts and contained in Section 9.
JORC Code	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004.
kg	means kilogram.
KPMG Transaction Services	means KPMG Transaction Services (Australia) Pty Limited.
LCE	means Lithium Carbonate Equivalent and represents the lithium content converted to the equivalent content of lithium carbonate (Li ₂ CO ₃) based on the ratio of relative molecular weight.
Lead Director	means the person appointed by the independent directors of the Board in accordance with the Board charter and Canadian National Policy 58-201 – <i>Corporate Governance Guidelines</i> . This position is currently held by Ronnie Beevor.
Li	means lithium.
Li ₂ O or lithia	means lithium oxide.
Listing	means the official quotation of Shares on ASX and the TSX.
LOM	means life of mine.
Long-Term Incentive Plan	means the plan as described in Section 12.4.
Mbcm	means million bank cubic metres.
Measured Mineral Resource	means that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
Mineral Resource	means a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.
Mining Act	means the Mining Act 1978 (WA).
Ministerial Consent	has the meaning given to it in Section 5.9.
New Shares	means the 35 million Shares proposed to be issued by the Company as part of the Offer.
Offer	means the Australian Offer and the Canadian Offer.
Offer Management Agreement	means the offer management agreement entered into by the Australian Lead Manager and the Company.
Offer Shares	means the New Shares and the 3.5 million Existing Shares held by the Selling Shareholder which may be applied for under the Offer.

Term/Abbreviation	Definition
Official List	means the official list of entities that ASX has admitted and not removed from listing.
Options	means the options to acquire Shares, as described in Section 12.7.1.
Ore Reserve	means the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proved mineral reserves.
Over-Allotment Option	means the option proposed to be granted to the Canadian Syndicate to purchase up to an additional 2 million New Shares at the Final Price, exercisable within the 30 days after the date of issue or transfer of Shares under the Offer.
pa	means per annum.
PHEVs	means plug in hybrid electric vehicles.
Pre-Offer Reorganisation	means the reorganisation as described in Section 5.9.
Pro Forma Historical Financial Information	means the summary pro forma historical income statements and statements of cash flow of the Company for the period from 27 August 2007 to 30 June 2008 and for FY2009 and the summary pro forma consolidated balance sheet of the Company as at 30 September 2009.
Probable Ore Reserve	means the economically mineable part of an Indicated, and in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Prospectus	means this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document.
Proved Ore Reserve	means the economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
RCF or Resource Capital Fund	means Resource Capital Fund IV L.P.
Retail Applicant	means an Applicant or Retail Investor who is issued or transferred Shares under the Offer.
Retail Investor	means an investor under this Prospectus who is not an Institutional Investor.
Retail Offer	means the invitation for Retail Investors under this Prospectus as described in Section 3.4.
Section	means a section of this Prospectus.
Selling Shareholder	means RCF.
Settlement Support Agreement	means the proposed agreement to be entered into by the Company, members of the Group, the Selling Shareholder (if the Selling Shareholder elects to sell any Existing Shares under the Offer), the Australian Lead Manager and the Canadian Syndicate, following close of the Global Bookbuild as contemplated by the Engagement Letter.
SFA	means the Securities and Futures Act of Singapore.

13. Glossary and Interpretation

Term/Abbreviation	Definition
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means an owner of Shares.
SRN	means Securityholder Reference Number.
Successful Applicant	means an Applicant who is issued or transferred Shares under the Offer.
Talison Greenbushes	means Talison Greenbushes Limited ACN 125 585 284.
Talison Lithium or Company	means Talison Lithium Limited ACN 140 122 078 and, where the context requires, includes its subsidiaries on completion of the Pre-Offer Reorganisation.
Talison Marketing	means Talison Marketing Pty Ltd ACN 125 608 157.
Talison Minerals	means Talison Minerals Pty Ltd ACN 125 581 473.
Talison Services	means Talison Services Pty Ltd ACN 125 608 684.
Talison Tantalum	means Talison Tantalum Pty Ltd ACN 139 987 465.
Talison Wodgina	means Talison Wodgina Pty Ltd ACN 125 585 239.
Tantalum Group	means Talison Tantalum and its subsidiaries (Talison Wodgina Talison Greenbushes and Talison Marketing) after completion of the Pre-Offer Reorganisation.
TLA	means Talison Lithium (Australia) Pty Ltd ACN 139 401 308.
tpa	means tonnes per annum.
Treasurer	has the meaning given to it in Section 5.9.
TSX	means the Toronto Stock Exchange.
TSX Company Manual	means the laws, rules and regulations applicable to the companies listed on the TSX.
US\$	means United States dollar.
U.S. Securities Act	means the U.S. Securities Act of 1933 (as amended).
WST	means Western Standard Time being the local time in Perth, Western Australia.

13.2 Conversion table for lithium concentrate

The following table sets out the factors to be applied to convert the weight of common lithium chemicals to the weight of contained lithium, Li_2O or the lithium carbonate:

Conversion Factors for Lithium Chemicals			
To convert from:	to Li	to Li_2O	to Li_2CO_3
Lithium:	x	x	x
Li (100% Li)	1.000	2.153	5.323
Lithium oxide (lithia):			
Li_2O (46.4% Li)	0.464	1.000	2.473
Lithium bromide:			
LiBr (8.0% Li)	0.080	0.172	0.425
Lithium carbonate:			
Li_2CO_3 (18.8% Li)	0.188	0.404	1.000
Lithium hydroxide monohydrate:			
$\text{LiOH}\cdot\text{H}_2\text{O}$ (16.5% Li)	0.165	0.356	0.880
Lithium chloride:			
LiCl (16.3% Li)	0.163	0.362	0.871
Lithium fluoride:			
LiF (26.8% Li)	0.268	0.576	1.420
Lithium hypochlorite:			
LiOCl (11.89% Li)	0.119	0.256	0.633
Butyllithium:			
$\text{C}_4\text{H}_9\text{Li}$ (10.83% Li)	0.108	0.233	0.576

The following table sets out the factors to be applied to convert the weight of spodumene to the weight of contained lithium, Li_2O , and the lithium carbonate equivalent:

Conversion Factors for Spodumene			
To convert from:	to Li	to Li_2O	to Li_2CO_3
	x	x	x
Spodumene: $\text{LiAl}(\text{SiO}_3)_2$ (3.7%Li, 8% Li_2O)	0.037	0.080	0.199

Corporate Directory

Registered Office	Independent Technical Expert
<p>Talison Lithium Limited Level 4, 37 St Georges Terrace Perth, WA 6000</p> <p>Telephone: 08 9263 5555 Facsimile: 08 9202 1144 Website: www.talisonlithium.com</p>	<p>Behre Dolbear Australia Pty Ltd Level 9, 80 Mount St North Sydney, NSW 2060 Australia</p>
Directors	Solicitors to the Offer
<p>Peter Robinson Chairman and Non-Executive Director</p> <p>Peter Oliver Chief Executive Officer and Managing Director</p> <p>Frank Wheatley Director</p> <p>Ronnie Beevor Non-Executive Director</p> <p>Bryan Ellis Non-Executive Director</p> <p>Mason Hills Non-Executive Director</p> <p>Mark Smith Non-Executive Director</p>	<p>Clayton Utz Level 27, QV.1 Building 250 St Georges Terrace Perth WA 6000, Australia</p> <p>Blake, Cassels & Graydon LLP 199 Bay Street Suite 2800, Commerce Court West Toronto ON M5L 1A9 Canada</p>
Company Secretary	Investigating Accountant
<p>Lorry Mignacca</p>	<p>KPMG Transaction Services (Australia) Pty Ltd 235 St Georges Terrace Perth WA 6000, Australia</p>
Financial Adviser	Auditors
<p>Rothschild Australia Limited ABN 61 008 591 768 Level 16, No. 1 O'Connell Street Sydney NSW 2000</p>	<p>KPMG 235 St Georges Terrace Perth WA 6000, Australia</p>
Australian Lead Manager	Share Registrar
<p>Macquarie Capital Advisers Limited ABN 79 123 199 548 Level 4, 235 St Georges Terrace Perth WA 6007 AFSL: 314416</p>	<p>Australia</p> <p>Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth Western Australia 6000 Australia</p> <p>Canada</p> <p>Computershare Investment Services Inc. 100 University Ave., Toronto, Ontario, M5J 2Y</p>

