



---

## TALISMAN MINING LIMITED

ABN 71 079 536 495

### NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

---

**TIME:** 10.00am (WST)

**DATE:** Monday 25 November 2013

**PLACE:** Celtic Club  
48 Ord Street  
West Perth, Western Australia 6005

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 4230.*

---

## CONTENTS PAGE

---

Notice of Annual General Meeting	4
Explanatory Statement	7
Glossary	14
Annexure A - Terms and conditions of Director Options	15
Annexure B – Valuation of Director Options	17

---

## TIME AND PLACE OF MEETING AND HOW TO VOTE

---

### VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on Monday 25 November 2013 at:

Celtic Club  
48 Ord Street  
West Perth, Western Australia 6005

### YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

### HOW TO VOTE

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by facsimile.

### VOTING IN PERSON

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the

power of attorney under which they have been authorised to attend and vote at the meeting.

### VOTING BY A CORPORATION

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from the website of the share registry of the Company – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### VOTING BY PROXY

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).

- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. **However, for the purposes of Resolution 1 (Adoption of the Remuneration Report) and Resolutions 4 and 5 (Issue of Director Options), where a Restricted Voter is appointed as your proxy, that person generally will not cast your vote on Resolution 1, 4 or 5 if you have not directed them how to vote on that Resolution or, if the proxy is the Chair of the Meeting, unless the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. These rules are explained in this Notice.**
- **If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 (Adoption of the Remuneration Report) or Resolutions 4 or 5 (Issue of Director Options) by marking either "For", "Against" or "Abstain" for that item of business.**
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each

of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions.

- To be effective, proxies must be lodged by 10.00am (WST) on 23 November 2013. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:

**by post using the pre-addressed envelope provided with this Notice;**

by post to Talisman Mining Ltd C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;

**in person to 1A Homebush Bay Drive, Rhodes NSW 2138;**

by faxing a completed proxy form to +61 2 9287 0309; or

online - [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Select 'Investor Login' and enter the holding details as shown on the proxy form. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

**The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, by facsimile, or online and by 10.00 am (WST) on 23 November 2013, being not later than 48 hrs before the commencement of the meeting. If facsimile transmission is used, the power of attorney must be certified.**

#### **SHAREHOLDERS WHO ARE ENTITLED TO VOTE**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 7.00 pm (AEDT) (4.00pm WST) on 23 November 2013.

---

## NOTICE OF ANNUAL GENERAL MEETING

---

Notice is given that the Annual General Meeting of Shareholders will be held at 10.00 am (WST) on Monday 25 November 2013 at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

### AGENDA

---

#### 1. ANNUAL REPORT

To receive and consider the financial report of the Company together with the reports of the directors and the auditor for the financial year ended 30 June 2013.

---

#### 2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the remuneration report for the financial year ended 30 June 2013 be adopted”.*

The vote on this Resolution is advisory only and does not bind the Company or the directors. Shareholders are encouraged to read the Explanatory Statement for further details on the consequences of voting on this Resolution.

**Voting Exclusion:**

*Corporations Act Voting Exclusion*

The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter whose remuneration details appear in the remuneration report for the financial year ended 30 June 2013. However, the Company need not disregard a vote if it is cast on behalf of a person who is entitled to vote:

- (a) and the proxy is appointed by writing and the appointment specifies how the proxy is to vote on the proposed resolution; or
- (b) if the appointment does not specify how the proxy is to vote (undirected proxy), **the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair of the Meeting to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.**

**The Chair of the Meeting will vote any undirected proxies to vote in favour of Resolution 1.**

**If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either “For”, “Against” or “Abstain” for that item of business.**

---

#### 3. RESOLUTION 2 – RE-ELECTION OF MR BRIAN DAWES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, Mr Brian Dawes, a director of the Company who retires in accordance with clause 13.2 of the Company’s constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company”.*

---

**4. RESOLUTION 3 – RE-ELECTION OF MS KAREN GADSBY**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, Ms Karen Gadsby, a director of the Company who retires in accordance with clause 13.2 of the Company’s constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company”.*

---

**5. RESOLUTION 4 – ISSUE OF DIRECTOR OPTIONS -ALAN SENIOR-**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 750,000 Director Options for no consideration, vesting on the dates and subject to the exercise prices set out in the Explanatory Statement (including Annexure A) and expiring on 30 October 2016 to Mr Alan Senior (or his nominee) on the terms and conditions set out in the Explanatory Statement (including Annexure A to the Explanatory Statement).”*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 4 by Mr Senior (or his nominee/s) and any associate of Mr Senior (or his nominee/s). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 4; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of Resolution 4.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either “For”, “Against” or “Abstain” for that item of business.

---

**6. RESOLUTION 5 – ISSUE OF DIRECTOR OPTIONS -BRIAN DAWES-**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Directors be and are hereby authorised to grant and issue up to 500,000 Director Options for no consideration, vesting on the dates and subject to the exercise prices set out in the Explanatory Statement (including Annexure A) and expiring on 30 October 2016 to Mr Brian Dawes (or his nominee) on the terms and conditions set out in the Explanatory Statement (including Annexure A to the Explanatory Statement).”*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 5 by Mr Dawes (or his nominee/s) and any associate of Mr Dawes (or his nominee/s). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 5 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 5; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of Resolution 5.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either “For”, “Against” or “Abstain” for that item of business.

**DATED: 16 OCTOBER 2013**

**BY ORDER OF THE BOARD**



---

**DANIEL MADDEN  
COMPANY SECRETARY**

---

## **EXPLANATORY STATEMENT**

---

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10.00am (WST) on Monday 25 November 2013 at the Celtic Club, 48 Ord Street, West Perth, WA 6005.

The purpose of this Explanatory Statement is to provide information which the directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

---

### **1. ANNUAL REPORT**

Section 317 of the Corporations Act requires the reports of the directors and of the auditors and the Annual Report, including the financial statements to be put before the Annual General Meeting and the Constitution provides for those reports and statements to be received and considered at the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the reports or statements.

Shareholders, as a whole, will be given the opportunity to raise questions on the reports and the statements and will be provided with a reasonable opportunity to ask questions or make comments on the management of the Company at the Annual General Meeting. Questions asked of the Auditor will be limited to those relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

The Company's 2013 Annual Report is available at [www.talismanmining.com.au](http://www.talismanmining.com.au). Those holders that elected to receive a printed copy of the Annual Report will have received a copy with this Notice of Annual General Meeting.

---

### **2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT**

Section 250R(2) of the Corporations Act requires that a resolution that the Remuneration Report be adopted and be put to a vote of Shareholders at the Company's Annual General Meeting. The vote on this resolution is advisory only to the Company and does not bind the Board or the Company.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

The Remuneration Report is set out in and forms part of the Directors' Report within the Annual Report and is available on the Company website at [www.talismanmining.com.au](http://www.talismanmining.com.au). The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Key Management Personnel of the Company;
  - discusses the relationship between such policy and the Company's performance; and
  - sets out remuneration details for each member of Key Management Personnel.
-

---

### 3. RESOLUTION 2 – RE-ELECTION OF MR BRIAN DAWES

Clause 13.2 of the Constitution provides that at each Annual General Meeting one-third of the Directors shall retire from office. Mr Brian Dawes retires from office in accordance with this requirement and being eligible offers himself for re-election by Shareholders as a Director of the Company, with effect from the end of the meeting.

Mr Dawes has been a Director of the Company since June 2009. Brian has a mining engineering background with over 28 years' experience in project development and operational roles within the mining industry across Australia and overseas, including Africa and the Middle East. Prior to his role as Executive General Manager Operations and Projects at Jubilee Mines NL, he was General Manager Operations with ASX-listed nickel producer Western Areas NL, where he was responsible for the establishment of the Forrester Nickel Project and Flying Fox Nickel Mine development. Prior to that he was the Group Mining Engineer with LionOre Australia, part of the LionOre Mining International group. Mr Dawes is a member of the Company's Nomination, Remuneration and Audit committees.

---

### 4. RESOLUTION 3 – RE-ELECTION OF MS KAREN GADSBY

Clause 13.2 of the Constitution provides that at each Annual General Meeting one-third of the Directors shall retire from office. Ms Karen Gadsby retires from office in accordance with this requirement and being eligible offers herself for re-election by Shareholders as a Director of the Company, with effect from the end of the meeting.

Ms Gadsby has been a Director of the Company since April 2008. Karen has over 28 years' experience in Finance, graduated from UWA with a Bachelor of Commerce in 1984 and qualified as a Chartered Accountant with Coopers and Lybrand (WA) in 1987. Karen worked for North Ltd throughout Australia for 13 years in various executive roles including 6 years with Robe River Iron Associates in Perth. She has held the positions of General Manager Finance, CFO and Company Secretary. Karen has been involved with boards for over 13 years and now predominately works as a non-executive director. She is currently a director of the boards of Landgate, Community First International Ltd and Strategen Environmental Consultants Pty Ltd and was previously a director of AMES (Vic), GMHBA (Vic), Western Health (Vic), Forest Products Commission and Perth Home Care Services. Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards. Karen is the Chair of the Company's Audit Committee and serves on the Company's Nomination and Remuneration Committees. Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.

---

### 5. RESOLUTION 4 AND 5 – ISSUE OF DIRECTOR OPTIONS TO RELATED PARTIES

#### 5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,250,000 Director Options to Mr Alan Senior and Mr Brian Dawes (**Related Parties**) on the terms and conditions set out below. Mr Senior and Mr Dawes are Directors of the Company and therefore related parties of it.

In accordance with the Corporations Act, the grant of a 'financial benefit' to a related party of the public company requires approval under Chapter 2E of the Corporations Act (unless an exception applies). As previously noted, as Directors, Mr Senior and Mr Dawes are considered related parties of the Company and the proposed issue of Director Options amounts to the provision of a 'financial benefit'.



In addition, ASX Listing Rule 10.11 requires shareholder approval to be obtained where a company issues, or agrees to issue, securities (including options) to a related party, unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act (in respect of Chapter 2E) and ASX Listing Rule 10.12 (in respect of Listing Rule 10.11) do not apply in the current circumstances. Accordingly, Shareholder approval is being sought for the grant of Director Options to the Related Parties.

## 5.2 Shareholder Approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.13)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Parties are Mr Alan Senior and Mr Brian Dawes who are related parties by virtue of being Directors of the Company;
- (b) the primary purpose of the grant of Director Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their role as Directors;
- (c) other than as set out in this explanatory statement, the Board does not consider that there are any significant opportunity costs or taxation consequences to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (d) the maximum number of Director Options to be granted to the Related Parties is:
  - i. 750,000 Director Options to Mr Alan Senior; and
  - ii. 500,000 Director Options to Mr Brian Dawes;

the number of proposed options to be granted is based upon what is considered by the Directors to be appropriate to fulfil the objectives of providing effective consideration for the ongoing commitment and contribution to the Company by Mr Senior and Mr Dawes in their role as Directors and to provide an incentive for Mr Senior and Mr Dawes to remain with the Company;

- (e) the nature of the proposed financial benefit to be given to Mr Senior and Mr Dawes is the grant of 750,000 and 500,000 Director Options respectively for nil consideration.
- (f) the Director Options will have exercise prices, vesting dates and expiry dates as follows:

### Alan Senior

Tranche	Numbers	Exercise Price*	Vesting Date	Expiry Date
1	187,500	257% of 5 day vwap	6 months from date of grant	31/10/2016
2	187,500	329% of 5 day vwap	12 months from date of grant	31/10/2016
3	187,500	400% of 5 day vwap	18 months from date of grant	31/10/2016
4	187,500	471% of 5 day vwap	24 months from date of grant	31/10/2016

**Brian Dawes**

Tranche	Numbers	Exercise Price*	Vesting Date	Expiry Date
1	125,000	257% of 5 day vwap	6 months from date of grant	31/10/2016
2	125,000	329% of 5 day vwap	12 months from date of grant	31/10/2016
3	125,000	400% of 5 day vwap	18 months from date of grant	31/10/2016
4	125,000	471% of 5 day vwap	24 months from date of grant	31/10/2016

\*The Exercise Price will be the 5 day volume weighted average share price prior to the commencement of trade on 25 November 2013 multiplied by the exercise premium.

- (g) other terms and conditions of the Director Options are set out in Annexure A;
- (h) a valuation of the Director Options and the pricing methodology for that valuation is set out in Annexure B. The value of these options will be expensed in the Company's financial statements over the relevant vesting periods;
- (i) as at the date of this Notice, the Related Parties interests in the securities of the Company are as tabled below:

Related Party	Shares	Unlisted Options
Alan Senior	116,666	1,000,000*
Brian Dawes	353,333	nil

\*The following Unlisted Options of Alan Senior will expire on 30 November 2013:

No. Options	Exercise Price	Vesting Date	Expiry Date
250,000	\$1.27	7/12/2010	30/11/2013
250,000	\$1.35	1/12/2011	30/11/2013
250,000	\$1.44	30/6/2012	30/11/2013
250,000	\$1.53	1/1/2012	30/11/2013

- (j) a summary of the estimated value of the Director Options is tabled below:

Tranche	Value per Director Option (\$)
1	\$0.06
2	\$0.06
3	\$0.05
4	\$0.05

The total value of Director Options proposed to be issued to Mr Senior is \$41,405 and \$27,603 to Mr Dawes. These are theoretical valuations derived using the Black & Scholes Model.

(Refer to Annexure B for full details of the valuation of the Directors Options).

- (k) the remuneration and emoluments paid by the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year (including the value of Director Options proposed to be granted) are as follows:

Related Party	Current Financial Year			Previous Financial Year		
	Short term payments and post-employment benefits	Share Based Payments	Total	Short term payments and post-employment benefits	Share Based Payments	Total
<b>Mr A Senior</b>	\$93,409	\$26,017	\$119,426	\$103,550	\$31,233	\$134,783
<b>Mr B Dawes</b>	\$58,995	\$17,345	\$76,340	\$65,400	-	\$65,400

- (l) if the Director Options granted to the Related Parties are exercised, a total of 1,250,000 Shares would be allotted and issued. The Company presently has on issue 131,538,627 Shares and 8,800,000 Options exercisable into Shares over various exercise periods and at various exercise prices. The dilution effect of exercise of the 1,250,000 Director Options as proposed above is 0.95% of Shares on issue (assuming no other Options are issued) and 0.89% on a fully diluted basis (that is, assuming that all other Options on issue are exercised);
- (m) the market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time, any of the Director Options are exercised and the Company's Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	\$0.30	14 December 2012
Lowest	\$0.08	26 June 2013
Last	\$0.13	16 October 2013

- (n) Mr Alan Senior declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest (as a potential recipient of Director Options) in the outcome of the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 4, recommend that shareholders vote in favour of Resolution 4 for the following reasons:
- i. the other Directors consider that it is important for the Company to be able to retain experienced directors and that the proposed Director Options to be granted to Mr Senior are appropriate for his level of experience and contribution to the Company;
  - ii. the Company has previously issued options to Non-Executive Directors and Resolution 4 ensures consistency of treatment;
  - iii. the Non-Executive Directors' fee pool of \$300,000 is currently utilised as to \$193,500 per annum. If the Company is unable to issue Director Options then it may need to consider whether, in order to attract and retain appropriate directors, it needs to increase the level of cash fees payable. By issuing Director Options the Company will be able to spend a greater portion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the related party.

- iv. the Company has previously noted in the Corporate Governance Statement and Remuneration Report within its 2013 Annual Report that, given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals; and
  - v. although the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> ed) recommend against the issue of equity securities to non-executive directors, the Company does see merit in ensuring that the interests of all Directors (including non-executives) are further aligned with those of the shareholders so that all can participate in any future upside in the Company's share price.
- (o) Mr Brian Dawes declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest (as a potential recipient of Director Options) in the outcome of the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 5, recommend that shareholders vote in favour of Resolution 5 for the following reasons:
- i. the other Directors consider that it is important for the Company to be able to retain experienced directors and that the proposed Director Options to be granted to Mr Dawes are appropriate for his level of experience and contribution to the Company;
  - ii. the Company has previously issued options to Non-Executive Directors and Resolution 5 ensures consistency of treatment;
  - iii. the Non-Executive Directors' fee pool of \$300,000 is currently utilised as to \$193,500 per annum. If the Company is unable to issue Director Options then it may need to consider whether, in order to attract and retain appropriate directors, it needs to increase the level of cash fees payable. By issuing Director Options the Company will be able to spend a greater portion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the related party.
  - iv. The Company has previously noted in the Corporate Governance Statement and Remuneration Report within its 2013 Annual Report that, given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals; and
  - v. although the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> ed) recommend against the issue of equity securities to non-executive directors, the Company does see merit in ensuring that the interests of all Directors (including non-executives) are further aligned with those of the shareholders so that all can participate in any future upside in the Company's share price.
- (p) The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and

- (q) The following information in relation to the Director Options to be granted pursuant to Resolutions 4 and 5 is provided to Shareholders for the purposes of Listing Rule 10.13:
- i. the Director Options will be granted to Mr Senior and Mr Dawes (or their nominee/s);
  - ii. the maximum number of Director Options to be granted is 1,250,000 Director Options (being 750,000 and 500,000 to Mr Senior and Mr Dawes respectively);
  - iii. the Director Options will be granted on 25 November 2013;
  - iv. the Director Options will be issued to the Related Parties no later than one (1) month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that all of the Director Options will be issued on one date;
  - v. the Director Options will be granted for nil cash consideration and accordingly no funds will be raised by their issue. Any funds raised upon the exercise of the Director Options will be used for working capital purposes; and
  - vi. other terms and conditions of the Director Options are set out in Annexure A.
- (r) Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being sought under ASX Listing Rule 10.11 (and where approval is given under Listing Rule 10.11, it is not separately required under Listing Rule 7.1). Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

### **Voting**

Note that a voting exclusion applies to Resolutions 4 and 5 in the terms set out in the Notice of Meeting. In particular, Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on the Resolution.

---

## **6. ENQUIRIES**

Shareholders are required to contact the Company Secretary on (+ 61 8) 9380 4230 if they have any queries in respect of the matters set out in these documents.

---

## GLOSSARY

---

**\$** means Australian dollars.

**AEDT** means Australian Eastern Daylight Savings Time.

**Annual General Meeting** means the meeting convened by the Notice of Meeting.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of Directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Closely Related Party** has the meaning given in the Corporations Act.

**Company** means Talisman Mining Limited (ABN 71 079 536 495).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current Directors of the Company.

**Director Options** means those Options to be granted to the Director the subject of Resolution 4 and 5.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** has the meaning given in the Corporations Act.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the explanatory statement.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option, Director Option or Employee Option as the context requires.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Restricted Voter** means Key Management Personnel and their Closely Related Parties.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**VWAP** means the volume weighted average price of Shares.

**WST** means Western Standard Time as observed in Perth, Western Australia.

---

**ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS**

---

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) The Director Options will expire at 5:00 pm (WST) on 31 October 2016 (Expiry Date). Any Director Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The Director Options shall comprise four tranches with the following exercise prices (Exercise Price) and different vesting dates as follows:

**Alan Senior**

Tranche	Number of options	Vesting date	Exercise Price*	Expiry date
1	187,500	6 months from date of grant	257% of 5 day VWAP	31 October 2016
2	187,500	12 months from date of grant	329% of 5 day VWAP	31 October 2016
3	187,500	18 months from date of grant	400% of 5 day VWAP	31 October 2016
4	187,500	24 months from date of grant	471% of 5 day VWAP	31 October 2016

**Brian Dawes**

Tranche	Number of options	Vesting date	Exercise Price*	Expiry date
1	125,000	6 months from date of grant	257% of 5 day VWAP	31 October 2016
2	125,000	12 months from date of grant	329% of 5 day VWAP	31 October 2016
3	125,000	18 months from date of grant	400% of 5 day VWAP	31 October 2016
4	125,000	24 months from date of grant	471% of 5 day VWAP	31 October 2016

\*The Exercise Price will be the 5 day volume weighted average share price prior to the commencement of trade on 25 November multiplied by the exercise premium.

- (d) Any Director Options which have not vested at the time the Optionholder ceases to be a Director shall automatically lapse. Any that have vested shall remain capable of exercise up to the Expiry Date.
- (e) The Director Options held by the Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director Options (provided that they have vested) by lodging with the Company, before the Expiry Date:
  - i. a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
  - ii. a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised.

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (i) The Director Options are not transferable.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options without first exercising the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.
- (p) Upon the occurrence of a Trigger Event, all of the outstanding Director Options shall vest. For the purposes of this clause a Trigger Event means:
  - i. the Company obtaining approval at a general meeting for it and its members to enter a scheme of arrangement pursuant to the Corporations Act;
  - ii. the date that the relevant interest of a bidder under a takeover bid for the Company is recorded as a minimum of 50.1% and the bid being declared unconditional;
  - iii. the Company obtaining approval at a general meeting for a transaction under Section 611 Item 7 of the Corporations Act; or
  - iv. the date upon which a person or a group of associated persons becomes entitled to sufficient Shares to give it or them the ability, in general meeting, to replace all or appoint a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.



## ANNEXURE B – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the related parties pursuant to Resolutions 4 and 5 have been valued by internal management (who, it is considered, have sufficient qualifications, expertise and experience to conduct such a valuation) based on a valuation methodology using the Black & Scholes Option Pricing Model, which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Black & Scholes Model is a function of a number of variables and is rounded to the nearest one hundredth of a cent.

The following estimated valuation assumes that the issue date and share price on date of issue of the Director Options is 16 October 2013. The valuation is not a representative valuation of the Director Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run at the time of issue (i.e. immediately following the General Meeting of Shareholders).

The assessment of the estimated value of the Options has been prepared applying the following assumptions:

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>	<b>Tranche 4</b>
Valuation date	16-Oct-13	16-Oct-13	16-Oct-13	16-Oct-13
Expiry date	31-Oct-16	31-Oct-16	31-Oct-16	31-Oct-16
5 day vwap at valuation date	\$0.14	\$0.14	\$0.14	\$0.14
Exercise premium*	257%	329%	400%	471%
Exercise price*	\$0.50	\$0.60	\$0.70	\$0.80
Risk free rate	3.08%	3.08%	3.08%	3.08%
Volatility	120%	120%	120%	120%
Value per Option	\$0.06	\$0.06	\$0.05	\$0.05
<b>Alan Senior</b>				
Number of Options	187,500	187,500	187,500	187,500
Total value	\$11,412	\$10,625	\$9,966	\$9,402
<b>Brian Dawes</b>				
Number of Options	125,000	125,000	125,000	125,000
Total value	\$7,608	\$7,083	\$6,644	\$6,268

\*In the examples above the exercise price is the 5 day volume weighted average share price at valuation date (16 October 2013) multiplied by the exercise premium.

The total value of Director Options issued to Mr Senior and Mr Dawes in the example above is \$41,405 and \$27,603 respectively.

In deriving the valuation the Black & Scholes Model relies upon the following assumptions:

- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- the risk free interest rate is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black & Scholes Model between the date of the valuation and the date the Director Options are granted would have an impact on their value.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY



**Talisman Mining Limited**  
ABN 71 079 536 495

**LODGE YOUR VOTE**



**ONLINE**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**By mail:**  
Talisman Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



**By fax:** +61 2 9287 0309



**All enquiries to: Telephone: 1300 554 474**

**SECURITYHOLDER PROXY FORM**

I/We being a member(s) of Talisman Mining Limited and entitled to attend and vote hereby appoint:

**STEP 1**

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)**

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **10:00am (WST) on Monday, 25 November 2013, at Celtic Club, 48 Ord Street, West Perth WA 6005** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an

**STEP 2**

**VOTING DIRECTIONS**

**Resolution 1**

Adoption of the Remuneration Report

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 4**

Issue Of Director Options - Alan Senior

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Resolution 2**

Re-election Of Mr Brian Dawes

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

**Resolution 5**

Issue Of Director Options - Brian Dawes

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

**Resolution 3**

Re-election Of Ms Karen Gadsby

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

**i** \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3**

**IMPORTANT - VOTING EXCLUSIONS**

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Items 4 & 5 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of those Items and that votes cast by him/her for those Items, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 4 & 5 and your votes will not be counted in calculating the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 4 & 5.

**STEP 4**

**SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED**

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

**TLM PRX302R**



## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on those Items will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

### Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Saturday, 23 November 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE** > [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



**by mail:**

Talisman Mining Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.  
This will assist in registering your attendance.**