



TALISMAN MINING LIMITED
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NOTICE OF GENERAL MEETING

**For the general meeting of the Company to be held at
The Celtic Club, 48 Ord Street, West Perth, Western Australia 6005
on Thursday, 4 October 2018 at 2:00pm (WST)**

This Notice and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 8 9380 4230

LETTER FROM THE CHAIRMAN

Dear fellow Talisman shareholders,

Talisman is pleased to provide this Notice of a General Meeting of Talisman, which provides the opportunity for Talisman shareholders to vote on two important resolutions:

- 1) the sale of all shares in Talisman subsidiary, Talisman A Pty Ltd (the holder of Talisman's 30% interest in the Springfield Project JV), to Sandfire Resources NL (**Sandfire**); and
- 2) a return of capital to Talisman shareholders of up to A\$46.5 million,

subject to their respective terms and conditions set out in the Notice of General Meeting and Explanatory Memorandum below.

The first resolution is a result of the Share Sale Agreement announced to the ASX on 8 August 2018 between Talisman and its Springfield Project Joint Venture partner, Sandfire, for the sale of Talisman's 30% interest in the Springfield Project JV. The second resolution forms part of an overall plan to return up to A\$46.5 million of the cash proceeds from that sale transaction to Talisman shareholders (potentially via a combination of capital return and fully franked dividend).

On behalf of the Talisman Board, I encourage all shareholders to consider the Notice in detail. We consider both resolutions to be in the best interests of Talisman and its shareholders and unanimously recommend that shareholders vote in favour of both resolutions – as the members of the Board intend to do.

Share Sale transaction

The sale transaction follows extensive negotiation with Sandfire and, in the opinion of the Board, represents an excellent outcome for Talisman's interest in the Springfield Project. The gross headline A\$72.3 million cash payment (before being reduced by debt repayments and other costs) reflects the full realisation of Talisman's share of the Monty project's pre-tax ungeared net present value based on the Mine Plan whilst Sandfire's effective assumption of the existing 2.25% gross revenue royalty held by Taurus over Talisman's 30% share of the Monty production provides significant additional value to Talisman. Furthermore, the sale transaction includes a 1% Net Smelter Return (NSR) royalty which enables Talisman to retain leverage to potential metal production upside at Monty and potential future discoveries across the broader Springfield Project JV ground.

Key benefits of the sale transaction include:

- crystallisation of substantial, immediate and certain value for Talisman's 30% interest in the Monty development and broader Springfield Project JV interest;
- retention of upside exposure to any mined contained copper and gold above their respective levels in the Monty Mine Plan, via the uncapped, perpetual 1.0% NSR royalty on 100% of the Springfield Project JV tenure;
- removal of existing Talisman group debts owed to Taurus parties and the potential return of up to A\$46.5 million cash to Talisman shareholders;
- removal of Talisman group liability for the existing 2.25% gross revenue royalty held by Taurus over Talisman's 30% share of Monty production;
- removal of Talisman exposure to future exploration, development and operating risks at Monty and the broader Springfield Project JV;

- anticipated utilisation of Talisman's deferred tax assets (which is anticipated to substantially offset any tax liability); and
- the sale transaction would reduce the probability that Talisman will be required to raise any additional equity capital in the short term and allow Talisman to refocus its objectives and resources among its other projects.

Return of capital

On completion of the sale transaction Talisman will receive A\$72.3 million from Sandfire less the amounts required to discharge the Taurus Loan Facility and the Taurus Working Capital Facility. This is expected to result in approximately A\$58 million cash being transferred to Talisman (before costs).

The Talisman Board has undertaken a review of the Company's operations and expected future capital requirements and determined that if the sale transaction is completed, Talisman is expected to have available cash in excess of what is needed for our ongoing activities for the foreseeable future. As such, Talisman intends to distribute up to A\$46.5 million to shareholders, subject to the terms and conditions of Resolution 2 in this Notice and in the Explanatory Memorandum. Please note, as further described in the Explanatory Memorandum, there is no guarantee that a distribution will occur, nor of the timing, type or quantum of the distribution.

The new Talisman

Should the sale transaction complete, then shareholders will continue to own a business with exciting growth prospects driven by a board and management team with a history of value realisation for shareholders. In that event, Talisman anticipates being well funded for planned exploration activities at our key remaining assets.

The Lachlan Project in NSW has significant potential for the discovery of high grade gold, copper and other base metal deposits and we are pleased to have secured a commanding landholding in this exploration hotspot. The Lachlan Project provides exposure to a highly mineralised region with large areas that have been subjected to little modern exploration. We are excited to have already identified a number of advanced drill targets where we will be accelerating our near-term exploration efforts.

The early success from our initial drilling at the high-grade Blind Calf copper prospect (as announced to the ASX on 18 June and 5 July 2018) has already provided an indication of the sort of tenor and opportunity that exists within what is one small portion of our tenement package. In the coming months we will be undertaking further drilling at Blind Calf to test the identified high-grade copper lodes that remain open at depth and along strike. We will also shortly begin to step out from this localised position where we have already identified multiple mineralised lodes for testing in close proximity to Blind Calf.

Reconnaissance exploration drilling undertaken to date across the Central and Southern Regions of the project has also identified numerous areas of geochemical anomalism in geologically important areas and we have multiple other targets lined up for targeted drill testing this calendar year.

On a longer-term basis, we will continue to push forward with our staged systematic exploration approach across the Lachlan Project which we are confident will enable us to build a pipeline of exploration targets through cost effective, rigorous and sound exploration techniques.

The 100% owned Sinclair Nickel Project located in the Agnew-Wiluna Greenstone Belt in Western Australia includes ownership of considerable installed infrastructure and facilities including an

existing 350ktpa sulphide flotation processing plant, airstrip, camp and accommodation facilities, and administration building as well as extensive granted mining tenure.

Work is underway to assess the potential for a Mineral Resource to be defined in accordance with the JORC Code from known mineralisation at the Sinclair mine extension.¹ Further potential for nickel mineralisation exists at other nearby exploration targets in the near mine region which we expect to continue to assess with cost effective targeted drilling programs, seeking to add value to this asset in the most efficient manner possible. Alongside this activity will be ongoing evaluation of all pathways aimed at maximising value to Talisman shareholders from this highly strategic nickel asset and comprehensive surface infrastructure.

Finally, the Talisman team will continue to assess all new project opportunities that might meet our strategic and value criteria. We will however remain disciplined in the allocation of Talisman's capital.

Please carefully read this Notice in full (including the Notice of Meeting and Explanatory Memorandum), as it contains further information expanding on this letter and which is relevant to your decision on how to vote on the resolutions at the Meeting. On behalf of the Talisman Board, I would like to take the opportunity to thank all shareholders for their ongoing support. I look forward to travelling the next exciting stage of the Talisman journey with you all.

Yours faithfully,

A handwritten signature in black ink that reads "Jeremy D. Kirkwood". The signature is written in a cursive, slightly slanted style.

Jeremy Kirkwood

¹ No forecast is made of whether any Mineral Resource will be defined.

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Talisman Mining Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia 6005 on Thursday, 4 October 2018 at 2:00pm (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 2 October 2018 at 5:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the meaning given to them in Schedule 1.

ASX takes no responsibility for the contents of this Notice and the Explanatory Memorandum.

AGENDA

1. Resolution 1 - Approval of the Share Sale

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

“That, pursuant to and in accordance with Listing Rule 11.2, and for all other purposes, Shareholders approve and authorise the Company to dispose of its main undertaking by the sale of all the ordinary shares in Talisman A Pty Ltd ACN 148 867 770, pursuant to the Share Sale Agreement and otherwise on the terms and conditions in the Explanatory Memorandum.”

If Resolution 1 is not approved by Shareholders, the Share Sale will not proceed.

Voting Exclusion

The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 1 is passed, or any Associates of such a person.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as 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 Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 - Return of Capital to Shareholders

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to Resolution 1 being passed, completion of the Share Sale and the receipt of an appropriate Class Ruling from the Australian Taxation Office, pursuant to Part 2J.1 of the Corporations Act and for all other purposes, the issued Share capital of the Company be reduced by up to \$46.5 million under an equal capital reduction in accordance with sections 256B and 256C of the Corporations Act; and that capital reduction is to be effected, subject to the Board's discretion, by the Company paying each registered holder of Shares as at a time to be announced by the Board the amount of up to \$0.25 per Share on the terms and conditions in the Explanatory Memorandum."

Dated 27 August 2018
By order of the Board



Shaun Vokes
Company Secretary

TALISMAN MINING LIMITED
ACN 079 536 495

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Resolution 1 - Approval of the Share Sale
Section 4:	Resolution 2 - Return of Capital to Shareholders
Schedule 1:	Definitions
Schedule 2:	Mineral Licences
Schedule 3	Other Tenements
Schedule 4:	Pro-Forma Statement of Financial Position

A Proxy Form also accompanies (and forms part of) the Notice.

This Notice may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates and assumptions about the industry in which it operates, and beliefs and assumptions regarding the Company's future performance.

Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of the Company.

Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this Notice. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward looking statements in this Notice speak only at the date of issue of this Notice.

Subject to any continuing obligations under applicable law and the ASX Listing Rules, the Company does not undertake any obligation to update or revise any information or any of the forward looking statements in this Notice or any changes in events, conditions or circumstances on which any such forward looking statement is based.

2. Action to be taken by Shareholders

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form accompanies (and forms part of) the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 2:00pm (WST) on Tuesday, 2 October 2018, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Resolution 1 - Approval of the Share Sale

3.1 Background

Sandfire Transaction

On 8 June 2018, the Company announced to ASX that it had reached in-principle agreement with Sandfire, its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture, for the Company to dispose of its entire interest in the share capital of its wholly owned subsidiary Talisman A (**Sale Shares**), to Sandfire (**Share Sale**).

Subsequently, as the Company announced to ASX on 8 August 2018, the Company and Sandfire entered into the Share Sale Agreement to fully document the Share Sale. The Company, Talisman A and Sandfire have also executed the NSR Royalty Deed, described below.

Talisman A and Project Interests

Talisman A is the holder of the Company's 30% joint venture interest in the Springfield and Halloween Projects, and 18.8% joint venture interest in the Halloween West Project, all located in the Doolgunna region of Western Australia, comprising the mineral licences detailed in Schedule 2 (collectively, the **Springfield Project**). The Springfield Project, through Talisman A, is the main undertaking of the Company. Sandfire is the other joint venturer in the Springfield Project.

Following the discovery of high grade copper-gold at the Monty deposit of the Springfield Project (**Monty**) in 2015, the joint venture completed a positive feasibility study and commenced initial mine development for Monty during the 2017 financial year. The remainder of the Springfield Project is a volcanogenic massive sulphide copper-gold exploration project in the Bryah Basin region of Western Australia.

On-site construction activities for Monty have progressed during the 2018 financial year with pre-production surface and underground infrastructure installed and in-use. Monty underground decline development at the end of July 2018 had advanced to 1,117 metres compared to a corresponding budget of 1,334 metres (16% under budget).

Total development advance was 2,487 metres as at the end of July 2018, compared to the budget of 2,893 metres (14% under budget).

First ore production remains on schedule for late in the December 2018 Quarter, with initial stope production planned to commence in the March 2019 Quarter.

Monty Ore Reserve estimate and Monty Mine Plan on 100% basis as at 31 March 2017

Reserve Category	Tonnes(t) ²	Copper (%)	Gold (g/t)	Contained Copper (t) ¹	Contained Gold (oz) ¹
Proved	-	-	-	-	-
Probable	920,000	8.7	1.4	80,000	42,000
Total	920,000	8.7	1.4	80,000	42,000
Mine Plan³	800,000	9.4	1.5	74,000	38,000

Of the above Monty Ore Reserve estimate and Monty Mine Plan, the following table represents Talisman A's 30% interest basis as at 31 March 2017

Reserve Category	Tonnes(t) ¹	Copper (%)	Gold (g/t)	Contained Copper (t) ¹	Contained Gold (oz) ¹
Proved	-	-	-	-	-
Probable	280,000	8.7	1.4	24,000	13,000
Total	280,000	8.7	1.4	24,000	13,000
Mine Plan²	240,000	9.4	1.5	22,000	11,000

Information in this Notice that relates to the Monty JORC Ore Reserve estimates is information previously published by the Company and is available on the Company's and ASX's websites (see announcement "Monty Feasibility Study Results", dated 6 April 2017 (**Feasibility Study Announcement**)). For full details of the Monty Ore Reserve estimates, including the Competent Person's Statement related to the estimation of the Monty Ore Reserve, please refer to the Feasibility Study Announcement.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the Feasibility Study Announcement, and that all material assumptions and technical parameters underpinning the estimates in the

² Figures rounded to the nearest thousand.

³ The Mine Plan is part of the Monty Ore Reserves in the "Total" row (not additional to those Ore Reserves).

Feasibility Study Announcement continue to apply and have not materially changed and confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original Feasibility Study Announcement.

Share Sale Agreement and NSR Royalty

In consideration for the Share Sale, at completion the Company is to receive net cash from Sandfire equal to A\$72.3 million less the amounts to be paid at completion to the Taurus Lenders by Sandfire on behalf of:

- (a) Talisman A, to repay debt owed at completion by Talisman A (to the extent Talisman A's cash reserves at completion are insufficient) under the Taurus Loan Facility; and
- (b) the Company, equal to the amount owed at completion by the Company under the Taurus working capital facility announced by the Company to the ASX on 28 June 2018 (**Taurus Working Capital Facility**).

The current drawn amount of the Taurus Loan Facility is US\$11.5 million and the current drawn amount of the Taurus Working Capital Facility is US\$1.5 million, which may vary prior to completion of the Share Sale.

Sandfire will assume, via its acquisition of Talisman A, an amended form of the existing 2.25% gross revenue royalty held by Taurus Mining Finance Fund AIV L.P. and Taurus Mining Finance Annex Fund AIV L.P. over Talisman A's 30% share of Monty (**Taurus Royalty**).

Sandfire has further agreed that it will pay any additional capital contributions which Talisman A would otherwise be obliged to pay as a joint venture party under any cash calls made from 5 June 2018 for the Springfield Project, including for Monty development (subject to completion of the Share Sale). To the date of this Notice, cash calls paid by Sandfire on behalf of Talisman A total A\$2.817 million. Forecast additional cash calls that are expected to be paid by Sandfire on behalf of Talisman A up until completion of the Share Sale are anticipated to be approximately A\$1.31 million. If the Share Sale Agreement is terminated without completion of the Share Sale occurring, the Company must pay back to Sandfire the aggregate cash calls within 20 Business Days of the termination of the Share Sale Agreement.

In addition, the Company, Talisman A and Sandfire have also executed a NSR Royalty Deed (**NSR Royalty Deed**) pursuant to which Talisman A grants to the Company an uncapped and perpetual 1.0% Net Smelter Return (**NSR**) Royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Springfield Project tenement area above the respective contained metal levels in the Monty Mine Plan (based on the Monty Feasibility Study released in April 2017) (**NSR Royalty**).

Payment of the NSR Royalty is guaranteed by Sandfire. Each of Sandfire and Talisman A may sell, assign or otherwise dispose of part or all of their interest in the Springfield Project tenement area, provided that the relevant buyer or assignee agrees to assume, be bound by and perform the obligations under the NSR Royalty Deed of whichever of Sandfire or Talisman A sold or assigned their interest. The Company has granted a right of last refusal to Talisman A (or any subsequent buyer or assignee of Talisman A's obligations under the NSR Royalty) on any sale or disposal of the Company's rights to the NSR Royalty. If the Share Sale Agreement is terminated, the NSR Royalty Deed also terminates.

Resolution 1

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 11.2 for the Company to complete the Share Sale, under which it will dispose of the Sale Shares to Sandfire pursuant to the Share Sale Agreement.

Listing Rule 11.2 is summarised in Section 3.2 below.

A summary of the key terms of the Share Sale Agreement is detailed in this Section 3.1 above and in Section 3.3 below.

Resolution 1 is an ordinary resolution.

The Chairman intends to exercise all available undirected proxies in favour of Resolution 1.

Subject to Resolution 1 being passed and completion of the Share Sale, the Company anticipates it will have capital in excess of what is needed for the Company's ongoing operations for the foreseeable future. Accordingly, pursuant to Resolution 2 and subject to the terms of that Resolution and the Explanatory Memorandum, the Company intends to return to Shareholders (at one or more record dates to be determined) a substantial proportion of the cash consideration to be derived from completion of the Share Sale, as detailed in Section 4.

For the avoidance of doubt, Resolution 1 is not conditional on Resolution 2 being approved. However, if Resolution 1 is approved and the Share Sale is completed but Resolution 2 is not approved, the Board reserves the right to deal with the cash consideration from the Share Sale as it considers appropriate, which may still include a distribution of cash to Shareholders other than via an equal capital reduction.

Subject to legal requirements, the timing, type, structure and terms and conditions of the distribution will be at the Board's discretion and subject to the prevailing financial circumstances of the Company in the event of completion of the Share Sale. Shareholders are cautioned that there can be no guarantee that a return of cash to Shareholders will occur, or of its timing, quantum or structure, as the Board will ultimately determine those matters in the event that completion of the Share Sale occurs.

3.2 Listing Rule 11.2

Listing Rule 11.2 restricts the Company's ability to dispose of its main undertaking without Shareholder approval. The Sale Shares, which the Company proposes to sell to Sandfire pursuant to the Share Sale Agreement, constitute the main undertaking of the Company.

The effect of passing Resolution 1 will be to allow the Company to dispose of its main undertaking to Sandfire by completing the Share Sale Agreement without breaching Listing Rule 11.2.

If Resolution 1 is not approved by Shareholders, the Share Sale will not proceed.

A voting exclusion statement is included in the Notice for Resolution 1.

3.3 Share Sale Agreement

Under the Share Sale Agreement, Sandfire will, in the event of completion of that agreement, acquire the entire issued capital of Talisman A in consideration for Sandfire paying to the Company at completion net cash equal to A\$72.3 million less the amounts to be paid at completion to the Taurus Lenders by Sandfire on behalf of:

- (a) Talisman A, to repay debt owed at completion by Talisman A (to the extent Talisman A's cash reserves at completion are insufficient) under the Taurus Loan Facility; and
- (b) the Company, equal to the amount owed at completion by the Company under the Taurus Working Capital Facility.

The Share Sale is subject to, and remains conditional upon, the Company obtaining Shareholder approval pursuant to Listing Rule 11.2 for the purposes of approving the Share Sale, being Resolution 1 (the **Condition**).

Either of the Company or Sandfire may terminate the Share Sale Agreement if the Condition is not satisfied (or mutually waived by the Company and Sandfire) by 31 October 2018, or if the Condition becomes incapable of satisfaction or they agree that it cannot be satisfied.

Shareholders should be aware that even if the Condition is satisfied, completion of the Share Sale will not occur unless various interrelated actions also occur simultaneously. These actions include certain actions by Taurus Entities, such as releases in relation to the Taurus Loan Facility and the Taurus Working Capital Facility, which are to be provided by Taurus Entities when those facilities are repaid at completion of the Share Sale.

Sandfire may terminate the Share Sale Agreement at any time before completion of the Share Sale if:

- (a) certain dissolution, insolvency or similar events occur to the Company or Talisman A (such as the winding up of, or appointment of an administrator for, either of them) or if the holder of an encumbrance takes possession of all or a substantial part of the Company's or Talisman A's undertaking or property;
- (b) a material warranty breach by the Company or other material breach by the Company of the Share Sale Agreement occurs and in each case is not remedied after Sandfire gives notice of the breach; or
- (c) the Company's board makes a public statement indicating that any director of the Company does not recommend the Share Sale, recommends, supports or endorses another transaction (other than a transaction agreed with Sandfire) or intends to vote Shares held or controlled by them (which are eligible to vote) against (or abstain from voting on) Resolution 1.

The Company may terminate the Share Sale Agreement at any time before completion of the Share Sale if:

- (a) certain dissolution, insolvency or similar events occur to Sandfire (such as winding up or appointment of an administrator) or if the holder of an encumbrance takes possession of all or a substantial part of Sandfire's undertaking or property; or
- (b) a material warranty breach by Sandfire or other material breach by Sandfire of the Share Sale Agreement occurs and in each case is not remedied after the Company gives notice of the breach.

The Share Sale Agreement may also terminate if various completion events do not occur simultaneously.

If the Share Sale Agreement is terminated, the NSR Royalty Deed also terminates.

On and from completion of the Share Sale, the joint venture arrangements with respect to the Springfield Project joint venture (including between the Company, Talisman A and Sandfire) will terminate.

The Share Sale Agreement also includes further customary terms such as covenants, warranties and indemnities (including as provided by the Company in favour of Sandfire) and restrictions on Talisman A's activities in the period prior to completion of the Share Sale.

3.4 Taurus Financing

In October 2017, Talisman A secured a project finance facility from the Taurus Lenders to provide US\$20 million to fully fund Talisman A's share of forecast pre-production costs for the development of Monty.

As at the date of this Notice, Talisman A has drawn down approximately US\$11.5 million under the Taurus Loan Facility, which may vary prior to completion of the Share Sale.

In addition to the Taurus Loan Facility, as announced to the ASX on 28 June 2018, the Company entered into the US\$3 million Taurus Working Capital Facility with the Taurus Lenders to support the Company's exploration activities and general working capital. The current drawn amount of the Taurus Working Capital Facility is US\$1.5 million, which may also vary prior to completion of the Share Sale.

Pursuant to the Share Sale Agreement, the amounts owing under the Taurus Loan Facility and Taurus Working Capital Facility are to be repaid at completion of the Share Sale. The source of funds to repay those amounts will be part of the cash consideration under the Share Sale and, in the case of part of the Taurus Loan Facility, existing funds of Talisman A (such that Talisman A is proposed to be acquired by Sandfire on a cash-free basis). As at the date of this Notice, Talisman's cash reserves are approximately \$5.1 million, which may vary prior to completion of the Share Sale.

3.5 Rationale for the Share Sale

The Board believes the Share Sale represents strong value realisation for the Company's interest in the Springfield Project. The sale follows extensive arm's-length negotiation with Sandfire in relation to the Share Sale and reflects the realisation of the Company's share of the Monty project's pre-tax ungeared net present value based on the Monty Mine Plan⁴. The Company's financial advisers were Sternship and Fivemark and legal advisor was DLA Piper.

The Share Sale crystallises substantial, immediate and certain value while removing exposure to future development and operating risks (among other risks) at the Springfield Project. In addition, Shareholders will retain a potential upside exposure to the Springfield Project via the grant of the uncapped and perpetual NSR Royalty. There is no guarantee that the NSR Royalty will deliver returns to the Company.

The key advantages and disadvantages to the Company of the Share Sale are listed in Section 3.6.

⁴ Please refer to ASX announcement "Quarterly Activities Report March 2018" dated 30 April 2018.

3.6 Advantages and Disadvantages of the Share Sale

A non-exhaustive list of potential advantages and disadvantages to the Company of the Share Sale are as follows:

- (a) Advantages:
 - (i) upon completion, the Share Sale will add approximately \$58 million to the Company's cash reserves (subject to adjustments to account for GST returns owing to the Company and transaction and administrative costs to completion), reduce the Company's debt to nil and reduce the probability that the Company will be required to raise any additional equity capital in the short term;
 - (ii) Shareholders may benefit from the proposed return of a substantial proportion of the cash consideration to Shareholders (please refer to Section 4 for further information);
 - (iii) should the Springfield Project produce more metal than envisaged under the Monty Mine Plan, the Company would benefit from additional positive cashflow exposure through the NSR Royalty (although no forecast is made of whether that will occur);
 - (iv) the Share Sale means that the Company will cease to have the burden of the financial obligations it would otherwise have in relation to the maintenance of the Springfield Project, including future capital, operating and exploration funding calls made on the Company's corporate group for the Springfield Project;
 - (v) the Share Sale provides certainty for Shareholders and removes exposure to key risks pertaining to the Springfield Project, other than insofar as they affect the NSR Royalty, including, but not limited to, physical mining outcomes and costs, fluctuations in copper and gold prices and the A\$/US\$ exchange rate, and the uncertain magnitude of future capital, operating and exploration funding calls;
 - (vi) the Share Sale will allow the Company to repay and remove the Taurus Loan Facility and the Taurus Working Capital Facility, thereby removing all future interest and fee obligations of the Company in relation to the Taurus Loan Facility and the Taurus Working Capital Facility;
 - (vii) the Share Sale will see Sandfire effectively assuming liability for the servicing of the Taurus Royalty, thereby ceasing all financial obligations of the Company in relation to the Taurus Royalty;
 - (viii) anticipated utilisation of the Company's deferred tax assets (which is expected to substantially offset any tax liability); and
 - (ix) the Share Sale will allow the Company to refocus its objectives and resources among its other projects.
- (b) Disadvantages:
 - (i) the Share Sale involves the Company selling its main undertaking, which may not be consistent with the investment objectives of all Shareholders;

- (ii) as a result of the Share Sale, the Company will no longer be expected to start generating positive cash flows for the foreseeable future;
- (iii) as a result of the Share Sale, the Company will no longer have exposure through the Springfield Project, other than to the extent of the NSR Royalty, to the potential for favourable mining outcomes and costs at the Springfield Project, or favourable movements in copper and gold prices or the A\$/US\$ exchange rate, should they occur;
- (iv) as a result of the Share Sale, the Company will not have the benefit of any future discoveries on the Springfield Project tenure, except to the extent of the NSR Royalty; and
- (v) as a result of the Share Sale, the Company may generate a tax liability.

3.7 Sandfire Resources NL

The information in this Section 3.7 has been prepared and provided by Sandfire and is the responsibility of Sandfire. The Company accepts no responsibility for the accuracy of the information contained in this Section 3.7.

Sandfire is listed on the Australian Securities Exchange (ASX: SFR) and is the majority joint venture participant in the Monty Mining Joint Venture (70%) and Springfield Exploration Joint Venture (70%, increasing to 81.2% for Halloween West).

Consolidation of 100% ownership of the Monty copper-gold mine and surrounding exploration tenure strengthens Sandfire's exploration and development pipeline in the Bryah Basin. The Monty Mining Joint Venture includes the Monty copper-gold deposit, currently being developed as a new satellite underground mine to feed Sandfire's nearby DeGrussa Copper-Gold Mine.

As at the date of this Notice, Sandfire has no interest in the Company and has no interest in the shares in Talisman A (other than pursuant to the Share Sale Agreement).

Sandfire will fund the Share Sale from existing cash reserves on hand of \$243 million (unaudited group cash as at 30 June 2018).

3.8 Financial Effect of the Share Sale on the Company

An indicative pro-forma unaudited statement of financial position of the Company, that has been prepared to enable Shareholders to make an assessment of the potential effect of the Share Sale and the proposed cash distribution to Shareholders (the subject of the Resolutions) on the financial position of the Company (as at 30 June 2018), is included in Schedule 4.

At completion of the Share Sale, Sandfire will pay to the Company the purchase price of A\$72,300,000 less the amounts required to discharge the Taurus Loan Facility (to the extent Talisman A has insufficient cash to repay the Taurus Loan Facility) and the Taurus Working Capital Facility. At the date of this Notice it is anticipated that approximately A\$58 million cash will be transferred to the Company by Sandfire on completion of the Share Sale (although that amount may vary depending on the precise amounts to be repaid under the Taurus Loan Facility and Taurus Working Capital Facility).

There will be no impact on the number of issued Shares and Options of the Company as a result of the Share Sale.

On 23 November 2017, Shareholders approved the Company's ability to issue Equity Securities under Listing Rule 7.1A up to 10% of its issued share capital through

placements over a 12-month period after the annual general meeting (**Listing Rule 7.1A Capacity**). The approval of the Listing Rule 7.1A Capacity is valid until the earlier of:

- (a) 12 months after the date of the annual general meeting at which the approval was obtained, which meeting was held on 23 November 2017; or
- (b) the date Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or sale of activities) or 11.2 (disposal of main undertaking).

The effect of passing Resolution 1 will result in the lapse of the Company's Listing Rule 7.1A Capacity from the date of the Meeting, being approximately seven weeks earlier than would be the case in the absence of approval of Resolution 1.

3.9 Proposed Use of Funds to be received under the Share Sale

In the event that the Condition to the Share Sale is satisfied, the cash consideration from the Share Sale is indicatively expected to be allocated as follows:

Indicative Allocation of Funds ⁽¹⁾	Amount (A\$)
Repayment of the Taurus Loan Facility and transaction settlement costs	\$13,000,000
Repayment of the Taurus Working Capital Facility	\$2,100,000
Maximum cash distribution to Shareholders ⁽²⁾	\$46,500,000
Exploration Costs for Existing Projects	\$7,000,000
Working Capital (including estimated income tax)	\$3,700,000
Total	\$72,300,000

Note:

(1) The above table is a statement of the Board's intention as at the date of this Notice. However, Shareholders should note that, as with any budget, the allocation of funds detailed in the above table may change depending on a number of factors, such as the Board's discretion, the outcome of exploration, operation and development activities, financial conditions, regulatory developments, market and general economic conditions. For example, as the Taurus Loan Facility and Taurus Working Capital Facility are repayable in US\$ but the consideration payable by Sandfire under the Share Sale is to be paid in A\$, exchange rate fluctuations will impact on the proportion of the A\$72,300,000 under the Share Sale Agreement which will be required to repay the Taurus Loan Facility and Taurus Working Capital Facility. The Board reserves the right to alter the way the funds are applied.

(2) Refer to Section 4.

3.10 Future Intentions of the Company

The Company's key assets immediately following completion of the Share Sale will comprise of:

- (a) its 100% interest in mineral licences (detailed in Schedule 3) relating to its Sinclair Nickel Project located in the Agnew-Wiluna Greenstone Belt in Western Australia's north-eastern Goldfields, which includes ownership of considerable installed infrastructure and facilities including an existing 350ktpa sulphide

flotation processing plant, airstrip, camp and accommodation facilities, and administration buildings;

- (b) its 100% interest in five exploration licences relating to its Lachlan Project located in the Cobar/Mineral Hill region of New South Wales in combination with farm-in rights on a further eight other exploration licences (detailed in Schedule 3);
- (c) cash of approximately \$58 million (before costs and before any distribution to Shareholders described in Section 4) which amount would be reduced if the proposed distributions described in Section 4 occur; and
- (d) the uncapped and perpetual 1.0% NSR Royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Springfield Project tenement area above the respective contained metal levels in the Monty Mine Plan (based on the Monty Feasibility Study released in April 2017).

There is no proposal to change the Board or management of the Company as a result of the Share Sale.

After completion of the Share Sale, the Company plans to continue with exploration activities at its Sinclair Nickel Project and Lachlan Project. The Share Sale is expected to allow for an acceleration of these activities, particularly at the Lachlan Project. Please refer to the Chairman's letter at the beginning of this Notice for further information.

The Company will also continue to assess a range of acquisition and investment opportunities.

The Company does not anticipate that completion of the Share Sale will impact on its ASX listed status. However, any decision that the Company must re-comply with the ASX admission requirements, or other decision regarding the Company's listed status, may be made at the discretion of ASX and may be outside of the control of the Company.

In the event Shareholder approval is not obtained and completion of the Share Sale is unable to occur, the Company intends to continue contributing to its cash call commitments under the Springfield Project⁵, while also progressing exploration activities at its Sinclair Nickel Project and Lachlan Project. The Company would also expect to continue its ongoing assessment of a range of acquisition and investment opportunities.

3.11 Directors' Interests in the Share Sale

The Directors do not have any financial or other material interest in the outcome of Resolution 1 other than as a result of their interests arising solely in the capacity as Shareholders and Option holders.

The Directors have a relevant interest (held directly and indirectly) in the securities of the Company as detailed in the following table:

Director	Shares	Options
Jeremy Kirkwood	419,000	750,000

⁵ As noted in section 3.1 above, if the Share Sale Agreement is terminated without completion of the Share Sale occurring, the Company will be required to pay back to Sandfire the aggregate cash calls paid by Sandfire on Talisman A's behalf between 5 June 2018 and the date of termination. This would of course not limit additional future cash calls in accordance with the terms of the Springfield Project joint ventures.

Director	Shares	Options
Daniel Madden	50,000	3,000,000
Alan Senior	116,666	500,000
Brian Dawes	353,333	500,000
Karen Gadsby	311,334	500,000

3.12 Directors' Recommendation and Voting Intentions

The Board unanimously recommends that Shareholders vote in favour of Resolution 1 in order to satisfy the Condition.

Each of the Directors intend to vote, or procure the voting of, any Shares respectively held or controlled by them at the relevant time in favour of Resolution 1.

For the reasons set out in this Notice, the Directors consider that the Share Sale is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 1.

3.13 Shareholder Voting Intention Statement

The Company has also been informed by Mr Kerry Harmanis that, based on the terms of the Share Sale as set out in the Company's ASX announcement of 8 August 2018, he intends to vote, or procure the voting of, any shares in the Company held or controlled by him (or his associates) at the relevant time in favour of Resolution 1. Mr Harmanis has consented to this statement being included in this Notice.

Mr Harmanis' most recent notice of change of interests of substantial holder in relation to the Company was announced to the ASX on 29 May 2017 (which disclosed Mr Harmanis as having, as at 18 May 2017, voting power in the Company of 18.07%). If any further such notice is received by the Company it will be announced to the ASX.

3.14 Recent Market Price of Shares

The highest and lowest market sale prices of Shares on ASX during the twelve (12) months immediately preceding the date of this Notice and the respective dates of those sales were:

Highest: \$0.33 per Share (8 June 2018)

Lowest: \$0.195 per Share (various dates between and including 29 March 2018 and 13 April 2018)

The latest available market sale price of Shares on ASX prior to the date of this Notice was \$0.27 per Share on 27 August 2018.

3.15 Indicative Timetable

The anticipated timetable for completion of the Share Sale is as follows:

Event	Date
Latest date and time for receipt of Proxy Forms	2:00pm (WST) on Tuesday, 2 October 2018
Date and time for determining eligibility to vote	5:00pm (WST) on Tuesday, 2 October 2018
Meeting	2:00pm (WST) on Thursday, 4 October 2018
Indicative date for completion of the Share Sale (if Resolution 1 is approved)	Friday, 12 October 2018

These dates are indicative only and are subject to change. Subject to the Corporations Act and Listing Rules, the above dates may be varied. Any changes to the above timetable will be announced to ASX.

Unless otherwise stated, all references to time in this document are references to WST.

The timetable for the return of capital to Shareholders (the subject of Resolution 2) is yet to be determined, but, if the return of capital occurs, will be in accordance with the Listing Rules (and as described further in Section 4.11 below).

4. Resolution 2 - Return of Capital to Shareholders

4.1 Background

In the opinion of the Board, following completion of the Share Sale, the Company will have capital in excess of what is needed for the Company's ongoing operations for the foreseeable future.

For that reason, the Board has proposed that the Company seek approval to reduce its Share capital and return part of the paid up Share capital of the Company to Shareholders. The Company proposes to do this by way of an equal reduction of capital in accordance with sections 256B and 256C of the Corporations Act. The Corporations Act requires that the Company obtain the approval of Shareholders by ordinary resolution for an equal reduction in its Share capital.

The Board believes that the proposed capital reduction provides an effective and efficient mechanism for returning cash to Shareholders.

Subject to:

- (a) Resolutions 1 and 2 being passed;
- (b) the completion of the Share Sale;
- (c) exercise of the Board's discretion; and
- (d) the receipt of an appropriate class Ruling from the Australian Taxation Office (**ATO**) (discussed below),

the Company may return to Shareholders up to A\$46.5 million of the Company's paid up share capital by an equal capital reduction, being up to 25 cents per Share.

The total amount of share capital returned to Shareholders in aggregate may be less than the maximum proposed in this Resolution 2, and will be determined by the Board having regard to (without limitation):

- (a) the precise amount of cash available to be distributed to Shareholders after completion of the Share Sale;
- (b) the financial circumstances of the Company following completion of the Share Sale;
- (c) regulatory matters;
- (d) timing of completion of the Share Sale (the subject of Resolution 1);
- (e) the nature of any investment opportunities which may be identified by the Board prior to the return of capital taking place;
- (f) the amount of the capital return that is acceptable to the ATO to receive a positive Class Ruling; and
- (g) further consideration of the Board of whether it will declare a fully franked dividend (which has not yet occurred) having regard to availability of franking credits, availability of accounting profits and the relevant Corporations Act requirements.

In the event the Board resolves to make both an equal capital reduction and payment of a dividend, the total amount of the cash distribution to Shareholders will not exceed \$46.5 million and may be less than that amount, at the Board's discretion.

In the event that the total amount returned to Shareholders is less than \$46.5 million, the corresponding amount to be returned per Share will also decrease.

If Resolution 1 is approved and the Share Sale is completed but Resolution 2 is not approved, the Board reserves the right to deal with the cash consideration from the Share Sale as it considers appropriate, which may still include a distribution of cash to Shareholders other than via an equal capital reduction.

The proposed cash distribution to Shareholders is consistent with the Board's strategy to reduce excess capital, while maintaining sufficient cash to support the Company's ongoing operations.

Shareholders should note that the proposed distribution may change depending on a number of factors, such as the outcome of operating and development activities, regulatory developments, market and general economic conditions and the Board's discretion. Consequently, the Board reserves the right to alter the way the funds are applied. Investors are cautioned that there can be no guarantee that a capital reduction, dividend or other distribution will occur, or of its timing, quantum or structure.

If a dividend is declared with respect to proceeds of the Share Sale, the Company does not propose to implement a dividend reinvestment plan with respect to that dividend.

As at the date of this Notice, the Company has 185,699,879 Shares on issue. The capital reduction will have no effect on the number of Shares on issue, however it is anticipated that the Share capital of the Company will be reduced by up to 25 cents per Share (depending on the total amount which the Board determines is to be returned to Shareholders).

	Before Partial Return of Share Capital	After Partial Return of Share Capital¹
Number of Shares on issue	185,699,879	185,699,879
Total Share capital	\$60,881,617	\$14,456,647
Paid up amount per Share	\$0.328	\$0.078

Note:

(1) Assumes no Options are exercised and assumes the maximum return of 25 cents per Share occurs. Actual results may vary.

4.2 Corporations Act requirements

Pursuant to section 256B of the Corporations Act, a company may reduce its share capital in a way that is not otherwise authorised by law if the reduction:

- (a) is fair and reasonable to the company's shareholders as a whole; and
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders under section 256C.

Pursuant to section 256C of the Corporations Act, if the reduction is an equal reduction (that is, it relates only to ordinary shares and applies on the same terms and in the same proportion for each ordinary share), it may be approved by an ordinary resolution passed at a general meeting of the company.

4.3 Rationale for Proposed Partial Return of Share Capital

The Board has undertaken a review of the Company's operations and determined that, subject to completion of the Share Sale, the Company will have capital in excess of what is needed for the Company's ongoing operations for the foreseeable future and accordingly, a return of capital to all Shareholders would be appropriate.

Having undertaken this review, the Board is satisfied that the proposed capital reduction will not adversely affect the Company's ability to fund its pre-existing commitments or its operating activities. In addition, the Board considers that the capital reduction is:

- (a) fair and reasonable to Shareholders as a whole; and
- (b) does not materially prejudice the Company's ability to pay its creditors.

Further details on these considerations are detailed below.

4.4 Funding Partial Return of Share Capital

The partial return of the Company's share capital is intended to be funded from the consideration to be received from the Share Sale (the subject of Resolution 1). If the Share Sale were completed at 30 June 2018, the Company's indicative reportable cash would have been approximately \$58.5 million, based on the Company's indicative unaudited pro forma balance sheet as at 30 June 2018 provided in Schedule 4. If the maximum potential capital return under Resolution 2 of \$46.5 million were also completed at 30 June 2018, those same accounts indicate that would have indicatively left the Company with approximately \$10 million. This pro forma position is not intended to reflect the actual amounts if the Share Sale and capital return are completed.

4.5 Impact on Share Price

If the proposed return of capital is implemented, Shares are expected to trade at a lower price following the 'ex' date for the return of capital than they would have done had the return of capital not been made. The same applies if a dividend is resolved and declared by Directors (which has not yet occurred). This is due to the outflow of funds to Shareholders. However, no guarantee or assurance can be given of the Share price in the future and no forecast is made of future Share prices.

The latest market price of each Share as at the date of this Notice is \$0.27. If the return of capital decreases the trading price of Shares to a price below \$0.20, that would require a waiver from Listing Rule 7.25. That rule provides (relevantly) that a listed entity such as the Company must not reorganise its capital if the effect of doing so would be to reduce the price at which its main class of securities (being Shares in the Company's case) would be likely to trade after the reorganisation to an amount less than 20 cents.

If required, the Company will seek a waiver of Listing Rule 7.25 to the extent necessary to permit the Company to undertake the return of capital. If that waiver is not granted by the ASX, the return of capital may be reduced.

An indicative pro-forma unaudited statement of financial position of the Company, that has been prepared to enable Shareholders to make an assessment of the potential effect of the Share Sale and proposed cash distribution to Shareholders (the subject of the

Resolutions) on the financial position of the Company (as at 30 June 2018), is included in Schedule 4.

4.6 Effect on Shareholders

The Company anticipates that, if the cash distribution to Shareholders occurs, it may consist of an amount up to \$46.5 million (up to 25 cents per Share). However, the amount to be distributed to Shareholders and the form which that distribution takes may vary, at the Board's discretion. This is the reason that Resolution 2 seeks Shareholder approval for any amount up to the maximum potential equal capital reduction of \$46.5 million in total. In the event that the total amount returned to Shareholders is less than \$46.5 million, the corresponding price returned per Share will also decrease.

The Directors believe that the capital reduction is fair and reasonable to Shareholders as a whole, for example given the proposed capital reduction would apply to each Shareholder in proportion to the number of Shares they hold at the relevant record date (to be determined) and given the other information detailed in this Explanatory Memorandum. However, Shareholders should consider their own individual circumstances, including in relation to their personal tax consequences, and seek professional advice.

4.7 Effect on Optionholders

As at the date of this Notice, the Company has 7,925,000 unlisted Options on issue. Options do not carry an entitlement to receive a payment as part of any partial return of the Company's share capital or dividend and no Options will be cancelled or reorganised. However, Listing Rule 7.22.3 provides that, in a return of capital, the number of Options must remain the same and the exercise price of each Option must be reduced by the same amount as the amount returned in relation to each Share.

The table below details the current Options on issue as well as the impact on the exercise price of those Options:

No. of Options	Expiry Date	Current Exercise Price	Indicative Approximate New Exercise Price ⁽¹⁾
1,755,000	31 October 2018	\$0.48	\$0.23
1,550,000	31 October 2019	\$0.52	\$0.27
1,540,000	31 October 2019	\$0.56	\$0.31
1,540,000	31 October 2021	\$0.62	\$0.37
1,540,000	31 October 2021	\$0.66	\$0.41

Note:

- (1) The new exercise prices are dependent on Resolutions 1 and 2 being passed and on an equal capital reduction occurring. The new exercise prices listed in the table are based on an assumption that the Company returns 25 cents per Share on the issued Share capital to Shareholders pursuant to the equal capital reduction the subject of Resolution 2. As explained above, the actual amount to be returned to Shareholders pursuant to the equal capital reduction may vary and consequently, the new exercise price of Options may also vary.

If any Options are exercised into Shares by the relevant record date (or record dates) for any cash distribution to Shareholders, those new Shares will carry entitlements to participate in such cash distribution, which in turn would reduce the cents per Share to be returned to Shareholders (due to the larger number of Shares participating in aggregate).

4.8 Effect on Creditors and other Commitments

The Board believes that the Company's ability to pay its creditors will not be materially prejudiced by the proposed capital reduction.

As at 31 July 2018, the Company had less than \$1 million of trade creditors. Based on a two year forecast prepared by the Company, the Company anticipates that it will have sufficient cash to fund its current and future cash outflows for the foreseeable future.

All anticipated tenement expenditure requirements have been factored into the two year forecast and can be met.

The Board is not aware of any changes to the Company's circumstances that would cause these figures to be revised in a material respect.

As a consequence of the matters referred to above, the Board is satisfied that the capital reduction will not materially prejudice the Company's ability to pay its creditors.

4.9 Effect on Control

The Board does not believe that the completion of the proposed partial Share capital reduction will affect the control of the Company.

4.10 Tax Consequences of the equal capital reduction

The tax consequences for a Shareholder in respect to the return of capital may vary depending upon that Shareholder's specific circumstances. The information detailed below is provided as a general guide only and does not constitute tax advice (and does not relate to the tax consequences for non-Australian tax resident shareholders, nor the tax consequences of any other distributions other than the proposed equal capital reduction). Shareholders should consult their own tax adviser as to the potential tax consequences for them with respect to the return of capital, taking into account their individual circumstances. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences of the return of capital.

Australian income tax considerations for Shareholders

The Company intends to seek a Class Ruling from the ATO in relation to the tax treatment of the return of capital for Shareholders. If the Company declares the equal capital reduction the subject of Resolution 2, a Shareholder falling within the relevant class may rely on that Class Ruling in preparing their income tax return. In the event that the Company does not receive an appropriate Class Ruling from the ATO, the Company will not proceed with the return of capital to Shareholders contemplated by this Resolution 2. However, the Company reserves the right to distribute capital via alternate means, subject to applicable laws.

The following is a general outline of the Australian income tax consequences that should arise for Australian Tax Resident Shareholders with respect to the return of capital provided that a favourable Class Ruling is issued by the ATO such that no part of the capital return will be treated as a 'dividend' for Australian income tax purposes.

The following outline will only apply to those Shareholders who hold their Shares on capital account. The Class Ruling (and the outline below) would not apply to those Shareholders who hold their Shares as 'revenue assets' or as 'trading stock'. The return of capital received by these Shareholders will be taxed under the general provisions of the income tax laws.

Australian Tax Resident Shareholders

In relation to Shareholders who continue to hold their Shares at the return of capital's payment date:

- (a) no part of the proposed return of capital should be treated as a 'dividend' for Australian income tax purposes;
- (b) the cost base for each Share acquired after 19 September 1985 should be reduced by the return of capital amount (on a cents per Share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that Share;
- (c) if the cost base (after any adjustment, as may be relevant, for any indexation or any previous return of capital) of Shares acquired after 19 September 1985 is less than the return of capital amount (on a cents per share basis), then a capital gain may arise for the difference;
- (d) for certain Shareholders that have held their Shares for greater than 12 months prior to the payment of the return of capital, the amount of the capital gain may be reduced by 50% (for individuals and trusts) or 33.33% (for complying superannuation funds); and
- (e) no capital gain or loss should arise in respect of Shares acquired on or before 19 September 1985.

In relation to Shareholders who hold their Shares at the return of capital's record date but cease to hold their Shares before the return of capital's payment date:

- (a) no part of the proposed return of capital should be treated as a 'dividend' for Australian income tax purposes;
- (b) for Shareholders that held Shares (acquired after 19 September 1985) at the return of capital's record date but ceased to own the Shares prior to the return of capital's payment date, a capital gain equal to the return of capital amount may arise in relation to the right to receive the return of capital;
- (c) for certain Shareholders that have held Shares for greater than 12 months prior to payment of the return of capital, but ceased to own Shares prior to the return of capital's payment date of the return of capital, the amount of the capital gain on the right to receive the return of capital may be reduced by 50% (for individuals and trusts) or 33.33% (for complying superannuation funds); and
- (d) no capital gain or loss should arise in respect of the right to receive the return of capital for Shareholders that held Shares at the return of capital's record date but ceased to own Shares prior to the return of capital's payment date, on Shares acquired on or before 19 September 1985.

The implications outlined above will apply in addition to the taxation implications arising for such Shareholders on the disposal of Shares prior to the return of capital's payment date.

The final version of the Class Ruling will be published on the ATO website and a notice included in the Gazette. The Company will make an announcement when the final Class Ruling is published and display the final Class Ruling on its website as soon as it becomes available.

4.11 Timing of the share capital reduction

If the Board determines that the capital reduction will proceed, the timetable will be determined by the Board (and will be in accordance with the Listing Rules, or as otherwise agreed with ASX).

Only Shareholders registered on the Company's share register as at the relevant record date time (to be set by the Board) would be entitled to receive such capital reduction. If a dividend is declared by the Board, a separate timetable would also be determined for that dividend, which would also only be payable to those Shareholders registered on the Company's share register as at the relevant record date time to be set by the Board.

The Company will announce any decision to proceed with a cash distribution (whether by capital reduction, dividend or otherwise) and, in that event, would announce the relevant timetables at the appropriate time in accordance with the ASX Listing Rules.

If a cash distribution to Shareholders of part of the consideration from the Share Sale occurs, payments will be made to eligible Shareholders by cheque or by direct credit in Australian currency to a financial institution in Australia (including a bank, building society or credit union account) or otherwise as the Directors resolve in accordance with the Company's constitution. Shareholders who have not already provided their bank account details may complete a Request for Direct Credit of Payment form and return this to the Company's share registry for processing. The form is available from the Company's share registry website at www.linkmarketservices.com.au. Shareholders are also able to update their details online at the Company's share registry website.

4.12 Directors' interests

As at the date of this Notice, the Directors have an interest in the potential cash distribution to Shareholders (whether by capital reduction, dividend or otherwise) as a result of holding relevant interests in the following securities in the Company.

Director	Shares	Options
Jeremy Kirkwood	419,000	750,000
Daniel Madden	50,000	3,000,000
Alan Senior	116,666	500,000
Brian Dawes	353,333	500,000
Karen Gadsby	311,334	500,000

4.13 Other material information

The Company is a "disclosing entity" for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations (subject to certain exceptions) require the Company to

disclose to the ASX (ASX Code: TLM) information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company's announcements are accessible at www.asx.com.au and on the Company's website <http://www.talismanmining.com.au/>.

There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of the Resolutions (being information that is known to the Directors which has not previously been disclosed to Shareholders) other than as set out in this document.

Subject to legal requirements, the timing, type, structure and terms and conditions of the distribution of cash to Shareholders contemplated by this Section 4 will be at the Board's discretion and subject to the prevailing financial circumstances of the Company in the event of completion of the Share Sale. Shareholders are cautioned that there can be no guarantee that a distribution of cash to Shareholders will occur.

4.14 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2. The Chairman intends to exercise all available undirected proxies in favour of Resolution 2. Each of the Directors intend to vote, or procure the voting of, any Shares respectively held or controlled by them at the relevant time in favour of Resolution 2.

Schedule 1 - Definitions

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

\$ or A\$ means Australian Dollars.

Associate has the same meaning as in the Listing Rules.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

ATO means the Australian Taxation Office.

Board means the board of Directors.

cents means cents of Australian Dollars.

Chairman means the person appointed to chair the Meeting convened by the Notice.

Company or **Talisman** means Talisman Mining Limited ACN 079 536 495.

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

Director means a director of the Company.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Mineral Resource has the meaning given to that term in the JORC Code.

Monty has the meaning given to that term in Section 3.1.

Notice means the notice of meeting which comprises of the letter from the Chairman, the notice, agenda, Explanatory Memorandum and Proxy Form.

NSR Royalty has the meaning given to that term in Section 3.1.

NSR Royalty Deed means the net smelter return royalty deed between the Company, Sandfire and Talisman A dated 7 August 2018, as described in Section 3.1.

Option means an option which entitles the holder to subscribe for one Share.

Ore Reserve has the meaning given to that term in the JORC Code.

Proxy Form means the proxy form which accompanies (and forms part of) the Notice.

Resolution means a resolution contained in the Notice.

Sale Shares means the entire issued share capital of Talisman A.

Sandfire means Sandfire Resources NL ACN 105 154 185.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section of this Explanatory Memorandum.

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

Share Sale has the meaning given to that term in Section 3.1.

Share Sale Agreement means the share sale agreement between the Company and Sandfire dated 7 August 2018 in relation to the Share Sale, as described in Section 3.

Shareholder means a shareholder of the Company.

Springfield Project has the meaning given to that term in Section 3.1.

Talisman A means Talisman A Pty Ltd ACN 148 867 770.

Taurus Entities means each of:

- (a) Taurus Mining Finance Fund L.P;
- (b) Taurus Mining Finance Annex Fund L.P;
- (c) Taurus Mining Finance Fund AIV L.P; and
- (d) Taurus Mining Finance Annex Fund AIV L.P.

Taurus Lenders means Taurus Mining Finance Fund L.P. and Taurus Mining Finance Annex Fund L.P.

Taurus Loan Facility means the loan facility provided by the Taurus Lenders to Talisman A under the facility agreement dated 27 October 2017, as amended by a letter dated 27 October 2017.

Taurus Royalty has the meaning given to that term in Section 3.1.

Taurus Working Capital Facility has the meaning given in Section 3.1.

US\$ means United States dollars.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Springfield Project Mineral Licences

Tenements ⁶	Expiry Date	Interest held by Talisman A	Location and Blocks (Area)	Joint Venture Partner / Farm-In Party
Springfield			Western Australia	
E52/2282	24/11/2019	30%	42	Joint Venture with Sandfire
E52/2313	24/11/2019	30%	8	Joint Venture with Sandfire
E52/2466	5/04/2020	30%	8	Joint Venture with Sandfire
E52/3423	13/02/2022	30%	1	Joint Venture with Sandfire
E52/3424	13/02/2022	30%	1	Joint Venture with Sandfire
E52/3425	13/02/2022	30%	6	Joint Venture with Sandfire
E52/3466	09/03/2022	30%	12	Joint Venture with Sandfire
E52/3467	09/03/2022	30%	20	Joint Venture with Sandfire
L52/170	16/02/2038	30%	(246.4HA)	Joint Venture with Sandfire
M52/1071	29/03/2038	30%	(1,642HA)	Joint Venture with Sandfire
Halloween West			Western Australia	
E52/2275	08/02/2019	18.8%	6	Joint Venture with Sandfire
Halloween			Western Australia	
P52/1528	31/08/2020	30%.	(200 HA)	Joint Venture with Sandfire

⁶ In the far left column of the table:

- "E" refers to an exploration licence.
- "L" refers to a Miscellaneous Licence.
- "P" refers to a Prospecting Licence.
- "M" refers to a Mining Lease.

Schedule 3 – Other Tenements

Project / Tenement	Location and Blocks (Area)	Current Interest of the Company	Joint Venture Partner / Farm-In Party
SINCLAIR NICKEL PROJECT	Western Australia		
E36/650	16	100%	N/A
E37/903	13	100%	
E37/1231	3	100%	
L36/198	(103.1 HA)	100%	
L37/175	(83.9 HA)	100%	
M36/444	(568.0 HA)	100%	
M36/445	(973.0 HA)	100%	
M36/446	(843.0 HA)	100%	
M37/362	(981.5 HA)	100%	
M37/383	(841.7 HA)	100%	
M37/384	(536.7 HA)	100%	
M37/385	(926.8 HA)	100%	
M37/386	(983.8 HA)	100%	
M37/424	(891.0 HA)	100%	
M37/426	(505.0 HA)	100%	
M37/427	(821.0 HA)	100%	
M37/590	(120.0 HA)	100%	
M37/692	(136.1 HA)	100%	
M37/735	(959.0 HA)	100%	
M37/816	(818.4 HA)	100%	
M37/818	(806.5 HA)	100%	
M37/819	(380.2 HA)	100%	
M37/1063	(604.0 HA)	100%	
M37/1089	(574 HA)	100%	
M37/1090	(478 HA)	100%	
M37/1126	(603 HA)	100%	
M37/1127	(603 HA)	100%	
M37/1136	(986 HA)	100%	
M37/1137	(850 HA)	100%	
M37/1148	(44.78 HA)	100%	
M37/1168	(190 HA)	100%	
M37/1223	(675 HA)	100%	
M37/1275	(1,961 HA)	100%	
P37/7228	(61.57 HA)	100%	
P37/7233	(116.01 HA)	100%	

Project / Tenement	Location and Blocks (Area)	Current Interest of the Company	Joint Venture Partner / Farm-In Party
LACHLAN PROJECT	NSW		
EL8615	(726km ²)	100%	Bacchus Resources Pty Ltd (right to 20% interest)
EL8659	(373km ²)	100%	
EL8677	(193km ²)	100%	
EL8414	(174km ²)	0%	Peel Mining Ltd (Company earning up to 75%)

Project / Tenement	Location and Blocks (Area)	Current Interest of the Company	Joint Venture Partner / Farm-In Party
LACHLAN PROJECT	NSW		
EL8547	(205km ²)	0%	Bacchus Resources Pty Ltd (Company earning up to 80%)
EL8571	(258km ²)	0%	
EL8638	(192km ²)	0%	
EL8657	(134km ²)	0%	
EL8658	(256km ²)	0%	
EL8680	(20km ²)	0%	
EL8718	(86km ²)	100%	N/A
EL8719	(191km ²)	100%	
OTHER	NSW		
EL8451	(276km ²)	0%	Peel Mining Ltd (Company earning up to 75%)

Schedule 4 - Indicative Pro-Forma Statement of Financial Position

The following table shows the unaudited pro-forma adjustments made to represent the impact of the Share Sale and maximum proposed distribution to Shareholders pursuant to Resolutions 1 and 2 on the unaudited consolidated statement of financial position of the Company as of 30 June 2018. This financial information is indicative only and results may vary.

Talisman Mining Ltd Unaudited Proforma Consolidated Statement of Financial Position As at 30 June 2018

	Pre Share Sale		Pro-forma Adjustments	Post Share Sale	Pro-forma Adjustments		Post Share Sale & Shareholder Distribution
	Talisman A Pty Ltd	Talisman Mining Ltd	Share Sale Transaction	Talisman Mining Ltd	Income tax payment	Maximum cash distribution to Shareholders	Talisman Mining Ltd
	Consolidated ^a	Consolidated		Consolidated			Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Assets							
Current Assets							
Cash and cash equivalents	4,879	5,349	53,134	58,483	(2,000)	(46,425)	10,058
Trade and other receivables	240	371	(240)	131	-	-	131
Total Current Assets	5,118	5,720	52,895	58,614	(2,000)	(46,425)	10,189
Non-Current Assets							
Receivables	-	179	-	179	-	-	179
Property, plant and equipment	-	2,772	-	2,772	-	-	2,772
Assets under construction	7,199	7,199	(7,199)	-	-	-	-
Intangible Assets	-	25	-	25	-	-	25
Mine Properties and Development	8,124	8,124	(8,124)	-	-	-	-
Rehab, restoration and dismantling	1,175	1,175	(1,175)	-	-	-	-
Deferred exploration and evaluation expenditure	-	14,000	-	14,000	-	-	14,000
Total Non-Current Assets	16,498	33,474	(16,498)	16,976	-	-	16,976
Total Assets	21,617	39,194	36,396	75,590	(2,000)	(46,425)	27,165
Liabilities							
Current Liabilities							
Trade and other payables	1,306	1,972	(1,066)	905	-	-	905
Income tax payable	-	-	2,000	2,000	(2,000)	-	-
Provisions	-	50	-	50	-	-	50
Borrowings	-	-	-	-	-	-	-
Total Current Liabilities	1,306	2,022	934	2,955	(2,000)	-	955
Non-Current Liabilities							
Provisions	-	8,792	-	8,792	-	-	8,792
Borrowings	15,559	15,559	(15,559)	-	-	-	-
Rehab, restoration and dismantling	1,175	1,175	(1,175)	-	-	-	-
Total Non-Current Liabilities	16,735	25,526	(16,735)	8,792	-	-	8,792
Total Liabilities	18,040	27,548	(15,801)	11,747	(2,000)	-	9,747
Net Assets	3,576	11,646	52,197	63,843	-	(46,425)	17,418
Equity							
Issued capital	-	60,882	(0)	60,882	-	(46,425)	14,457
Reserves	-	1,679	-	1,679	-	-	1,679
Accumulated losses	3,576	(50,915)	52,197	1,282	-	-	1,282
Total Equity	3,576	11,646	52,197	63,843	-	(46,425)	17,418

^a Consolidated financial position pre Share Sale includes Talisman A Pty Ltd. Post Share Sale Consolidated financial position excludes Talisman A Pty Ltd.



Talisman Mining Limited
 ABN 71 079 536 495

LODGE YOUR VOTE

ONLINE
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

BY HAND
 Link Market Services Limited
 1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
 Telephone: +61 1300 554 474



X99999999999

PROXY FORM

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

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 you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **2:00pm (WST) on Thursday, 4 October 2018 at The Celtic Club, 48 Ord Street, West Perth, WA 6005 (the Meeting)** and at any postponement or adjournment of the Meeting.
The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

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

Resolutions

	For	Against	Abstain*
1 Approval of the Share Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Return of Capital to Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* 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.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)
 Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder'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).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

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 shares 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 shares 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 that item 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 share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares 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; and
- 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 shareholder 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 to the meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

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 **2:00pm (WST) on Tuesday, 2 October 2018**, 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

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, shareholders 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

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online 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).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**