
TALON ENERGY LTD
ACN 153 229 086
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: Tuesday, 31 January 2023, 10:00 AM (AWST)

PLACE: 1202 Hays Street, West Perth, Western Australia 6005

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

This Notice 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.

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 Shareholders at 10:00AM (AWST) on Sunday, 29 January 2023.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF SHARES – LISTING RULE 7.1

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 41,357,144 Shares on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF SHARES – LISTING RULE 7.1A

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

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 44,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – ISSUE OF PLACEMENT SHARES TO RELATED PARTY – COLBY HAUSER

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the Company to participate in the Placement and issue 357,143 Shares to Mr Colby Hauser (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

4. RESOLUTION 4 – VARIATION OF PERFORMANCE RIGHTS TERMS – COLBY HAUSER

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the variation to the terms of the 2,500,000 Class Q Performance Rights, 2,500,000 Class R Performance Rights and 2,500,000 Class S Performance Rights issued to Colby Hauser (or his nominee) under the Company's Share Rights Plan on the terms set out in the Explanatory Statement.”

A voting exclusion and voting prohibition statement applies to this Resolution. Please see below.

Dated: 28 December 2022

By order of the Board

**David Lim
Company Secretary**

Voting Prohibition Statements

Resolution 4 - Variation of Performance Rights Terms – Colby Hauser	<p>A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <p>(a) the proxy is either:</p> <p>(i) a member of the Key Management Personnel; or</p> <p>(ii) a Closely Related Party of such a member; and</p> <p>(b) the appointment does not specify the way the proxy is to vote on this Resolution.</p> <p>However, the above prohibition does not apply if:</p> <p>(a) the proxy is the Chair; and</p> <p>(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.</p>
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Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolution 1 – Ratification of prior issue of Shares – Listing Rule 7.1	A person who participated in the issue or is a counterparty to the agreement being approved (namely the Placement Participants) or an associate of that person or those persons.
Resolution 2 – Ratification of prior issue of Shares – Listing Rule 7.1A	A person who participated in the issue or is a counterparty to the agreement being approved (namely the Placement Participants) or an associate of that person or those persons.
Resolution 3 – Issue of Placement Shares to Related Party – Colby Hauser	Mr Colby Hauser (or their nominee) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 4 - Variation of Performance Rights Terms – Colby Hauser	Any person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question (including Mr Hauser) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is 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. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice please do not hesitate to contact the Company Secretary on +61 8 6319 1900.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND TO RESOLUTIONS 1 TO 3

1.1 Overview

As announced on 9 December 2022, the Company completed a placement to institutional, professional and sophisticated investors to raise approximately \$12 million (before costs), through the issue of 85,357,144 Shares to unrelated participants (**Placement Participants**) and, subject to the passing of Resolution 3, the issue of 357,143 Shares to Director, Mr Colby Hauser (**Placement**).

The Placement funds raised by the Company will be used to fund Talon's obligations in relation to the farm-in into the Gurvantes XXXV Project in Mongolia, with Talon having recently elected to take a 33% interest in the project, and enter into a joint venture with TMK Energy Ltd's wholly owned subsidiary, and project owner, Telmen Resource, LLC. The Placement funds will also be used for general working capital expenditure and to fund Talon's 45% share of immediate development costs at the Walyering Gas Project as it moves towards commercial production in Q1 2023.

1.2 Lead managers

The Company engaged the services of Canaccord Genuity (Australia) Limited (AFSL 234666), and Chieftain Securities WA Pty Ltd (AFSL 492850) as joint lead managers to the Placement (together, the **Joint Lead Managers**), with Bell Potter Securities Limited (AFSL 243480) appointed a co-manager. The Company paid a fee of 6% of the funds raised in the Placement.

1.3 Summary of Resolutions

Resolutions 1 to 3 seek:

- (a) **Resolution 1** – to ratify the issue of 41,357,144 Shares issued under Listing Rule 7.1;
- (b) **Resolution 2** – to ratify the issue of 44,000,000 Shares issued under Listing Rule 7.1A; and
- (c) **Resolution 3** – to issue 357,143 Shares to Mr Colby Hauser's under the Placement.

2. RESOLUTIONS 1 AND 2 – RATIFICATION OF PRIOR ISSUE OF SHARES - LISTING RULES 7.1 AND 7.1A

2.1 General

A summary of the Placement is set out in Section 1.1 above.

On 9 December 2022, the Company issued 85,357,144 Shares at an issue price of \$0.14 per Share to raise \$11,950,000 (**Unrelated Participants Shares**).

41,357,144 Shares were issued pursuant to the Company's capacity under Listing Rule 7.1 (being, the subject of Resolution 1) and 44,000,000 Shares were issued

pursuant to the Company's 7.1A mandate which was approved by Shareholders at the annual general meeting held on 26 May 2022.

2.2 Listing Rules 7.1 and 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Under Listing Rule 7.1A however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

The Company obtained approval to increase its limit to 25% at the annual general meeting held on 26 May 2022.

The issue of the Unrelated Participants Shares does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 25% limit in Listing Rules 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the date of issue of the Unrelated Participants Shares.

2.3 Listing Rule 7.4

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Unrelated Participants Shares.

Resolutions 1 and 2 seek Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Unrelated Participants Shares.

2.4 Technical information required by Listing Rule 14.1A

If Resolutions 1 and 2 are passed, the Unrelated Participants Shares will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Unrelated Participants Shares.

If Resolutions 1 and 2 are not passed, the Unrelated Participants Shares will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Unrelated Participants Shares.

2.5 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolutions 1 and 2:

- (a) the Unrelated Participants Shares were issued to professional and sophisticated investors who are clients of the Joint Lead Managers. The recipients were identified through a bookbuild process, which involved the Joint Lead Managers seeking expressions of interest to participate in the capital raising from non-related parties of the Company;
- (b) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:
 - (i) related parties of the Company, members of the Company's Key Management Personnel at the time of the placement, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (ii) issued more than 1% of the issued capital of the Company;
- (c) 85,357,144 Unrelated Participants Shares were issued on the following basis:
 - (i) 41,357,144 Shares issued pursuant to Listing Rule 7.1 (ratification of which is sought under Resolution 1); and
 - (ii) 44,000,000 Shares issued pursuant to Listing Rule 7.1A (ratification of which is sought under Resolution 2);
- (d) the Unrelated Participants Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Unrelated Participants Shares were issued on 9 December 2022;
- (f) the issue price was \$0.14 per Unrelated Participants Shares under both the issue of Shares pursuant to Listing Rule 7.1 and Listing Rule 7.1A. The Company has not and will not receive any other consideration for the issue of the Unrelated Participants Shares;
- (g) the purpose of the issue of the Unrelated Participants Shares is to raise capital, which the Company intends to use in the manner set out in Section 1.1 above; and
- (h) the Unrelated Participants Shares were not issued under an agreement.

3. RESOLUTION 3 – ISSUE OF PLACEMENT SHARES TO RELATED PARTY – COLBY HAUSER

3.1 General

As set out in Section 1.1 above, Director Mr Colby Hauser wishes to participate in the Placement on the same terms as unrelated Placement Participants (**Participation**).

Accordingly, Resolution 3 seeks Shareholder approval for the issue of 357,143 Shares to Mr Hauser (or their nominee), as a result of the Participation on the terms set out below.

3.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and Mr Hauser, is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Hauser who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Mr Hauser (or their nominee) on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

3.3 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3;
or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The Participation falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

Resolution 3 seeks Shareholder approval for the Participation under and for the purposes of Listing Rule 10.11.

3.4 Technical information required by Listing Rule 14.1A

If Resolution 3 is passed, the Company will be able to proceed with the issue of the Shares under the Participation within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will raise additional funds which will be used in the manner set out in Section 1.1 above. As approval pursuant to Listing Rule 7.1 is not required for the issue of the Shares in respect of the Participation (because approval is being obtained under Listing Rule 10.11), the issue of the Shares will not use up any of the Company's 15% annual placement capacity.

If Resolution 3 is not passed, the Company will not be able to proceed with the issue of the Shares under the Participation and no further funds will be raised in respect of the Capital Raising.

3.5 Technical Information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the Shares will be issued to Mr Hauser (or his nominee), who falls within the category set out in Listing Rule 10.11.1, as Mr Hauser is a related party of the Company by virtue of being a Director;
- (b) the maximum number of Shares to be issued to Mr Hauser (or his nominee) is 357,143;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Shares will be issued on the same date;
- (e) the issue price will be \$0.14 per Share, being the same issue price as Shares issued to other participants in the Placement. The Company will not receive any other consideration for the issue of the Shares;
- (f) the purpose of the issue of Shares under the Participation is to raise capital, which the Company intends to use in the manner set out in Section 1.1 above;
- (g) the Shares to be issued under the Participation are not intended to remunerate or incentivise the Director;
- (h) the Shares are not being issued under an agreement; and
- (i) a voting exclusion statement is included in Resolution 3 of the Notice.

4. RESOLUTION 4 – AMENDMENT TO PERFORMANCE RIGHTS – COLBY HAUSER

4.1 Background

On 22 June 2022, the Company issued a total of 8,750,000 Performance Rights (on a post-consolidation basis) under the Company's Share Rights Plan to Mr Colby Hauser, pursuant to Mr Hauser's executive service agreement, as approved by

Shareholders at the Company's Annual General Meeting held on 26 May 2022, being the purpose of Resolution 3 of that meeting.

The Company issued the following Performance Rights to Mr Hauser:

- (a) 1,250,000 Class P Performance Rights;
- (b) 2,500,000 Class Q Performance Rights;
- (c) 2,500,000 Class R Performance Rights; and
- (d) 2,500,000 Class S Performance Rights.

The terms of the Performance Rights are set out in the notice of annual general meeting dated 20 April 2022 (**April 2022 Notice**). (Please note that subsequent to the initial grant of the performance rights on 22 June 2022, the Company undertook a 20:1 consolidation of its issued securities.)

Resolution 4 seeks Shareholder approval to amend the vesting conditions of Class Q Performance Rights, Class R Performance Rights and Class S Performance Rights (together, the **Amending Performance Rights**) as set out in Schedule 1 (the **Variations**).

Other than the change in the vesting conditions, all other terms and conditions of the performance rights remain the same.

4.2 Rationale for the proposed variation

The Company no longer considers that the vesting milestones attaching to the Performance Rights align with the Company's stated objectives or its potential value for its interest in the Company's projects. The proposed variations to the Performance Rights terms seek to align with the Company's stated objectives and its potential value.

The Board considers that it must at a minimum:

- (a) act in good faith and for a proper purpose;
- (b) continue to review, amend and align its interests of its incentive mechanisms to those of Shareholders;
- (c) consider all relevant material and considerations and act fairly;
- (d) not take into account irrelevant considerations; and
- (e) act reasonably in the exercise of that power, including whether to exercise the power or not.

The Board has considered the points set out in (a) to (e) above and considers it has satisfied these points in its decision to approve the Variations.

4.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out at Section 3.2 above.

The Board has formed the view that the Variations may constitute the giving of a 'financial benefit' to Mr Hauser as a related party because the Variations will mean that the financial benefit initially conferred on Mr Hauser by the issue of the Performance Rights on 22 June 2022 will effectively be 'given again' as a result of

removing the employment vesting condition and vesting of the Amending Performance Rights on a change of control.

The Directors (other than Mr Hauser) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Variations, because the issue of Variations constitutes reasonable remuneration payable to Mr Hauser.

4.4 Listing Rule 10.14

Listing Rule 10.14 provides that an entity must not permit any of the following persons to acquire equity securities under an employee incentive scheme without the approval of the holders of its ordinary securities:

- 10.14.1 a director of the entity;
- 10.14.2 an associate of a director of the entity; or
- 10.14.3 a person whose relationship with the entity or a person referred to in Listing Rules 10.14.1 to 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by security holders.

As the Amending Performance Rights have been issued to Mr Hauser, who falls within Listing Rule 10.14.1 by being a Director, the Variations therefore require the approval of Shareholders under Listing Rule 10.14.

Resolution 4 seeks the required Shareholder approval for Variations under and for the purposes of Listing Rule 10.14.

4.5 Technical information required by Listing Rule 14.1A

If Resolution 4 is passed, the Amending Performance Rights vesting conditions will be amended to allow the Variations. Other than the proposed variations, the terms and conditions of the Performance Rights will remain unchanged.

If Resolution 4 is not passed, the vesting criteria of the Performance Rights will remain unchanged, and the Company will have Performance Rights on issue with vesting criteria which do not align with the Company's current and near-term objectives.

4.6 Technical information required by Listing Rule 10.15

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to Resolution 4:

- (a) the Amending Performance Rights were issued to Mr Hauser as Trustee of a Trust of which he is a beneficiary, who falls within the category set out in Listing Rule 10.14.1, by virtue of Mr Hauser being a Director;
- (b) the maximum number of Amending Performance Rights that were issued to Mr Hauser was 7,500,000 Performance Rights;
- (c) the current total remuneration package for Mr Hauser consists of:
 - (i) an annual salary of \$331,500 p.a., comprising of directors' salary of \$300,000, and superannuation of \$31,500; and

- (ii) Incentive Performance Rights granted to Mr Hauser on 22 June 2022, valued at \$1,525,000 using valuation methodologies as set out in Schedule 4 of the April 2022 Notice. Of the \$1,525,000 of Incentive Performance Rights held by Mr Hauser, \$1,300,000 relates to the Amending Performance Rights;
 - (d) other than the issue of the Performance Rights set out in section 4.1 above, Mr Hauser has not been issued any other securities under the Share Rights Plan;
 - (e) a summary of the material terms and conditions of the Amending Performance Rights are set out in Schedule 2 of the April 2022 Notice;
 - (f) the Company considers that the Variations are appropriate for the reasons set out in Section 4.2;
 - (g) the Company valued the Amending Performance Rights at \$1,300,000 based on the following methodologies:
 - (i) Class Q Performance Rights: Combined Hoadley's Barrier1 Model and Hoadley's Parisian Model; and
 - (ii) Classes R and S Performance Rights: Black-Scholes methodology;
- as set out in Schedule 4 of the April 2022 Notice;
- (h) the issue price of the Incentive Performance Rights was nil, as such no funds was raised from the issue of the Amending Performance Rights;
 - (i) a summary of the material terms and conditions of the Company's Share Rights Plan is set out in the Schedule 2;
 - (j) no loan was made to Mr Hauser in connection with the acquisition of the Amending Performance Rights;
 - (k) details of any Performance Rights issued under the Performance Rights Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
 - (l) any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the Share Rights Plan after Resolution 4 is approved and who were not named in this Notice will not participate until approval is obtained under Listing Rule 10.14; and
 - (m) voting exclusion statement is included for Resolution 4 in this Notice.

GLOSSARY

\$ means Australian dollars.

April 2022 Notice means the notice of annual general meeting dated 20 April 2022.

Amending Performance Rights means the Class Q Performance Rights, Class R Performance Rights and Class S Performance Rights as set out in Section 4.1.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

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.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Talon Energy Ltd (ACN 153 229 086).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Joint Lead Managers has the meaning given in Section 1.2.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Performance Rights means a right to acquire a Share, subject to satisfaction of any vesting conditions.

Placement has the meaning given in Section 1.1.

Placement Participants has the meaning given in Section 1.1.

Proxy Form means the proxy form accompanying the Notice.

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

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

Share Rights Plan means the Company's incentive plan adopted on 29 May 2020.

Unrelated Participant Shares has the meaning given in Section 2.1.

Variations means the variations to the Amending Performance Rights as set out in Schedule 1.

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

SCHEDULE 1 – PROPOSED VARIED TERMS OF PERFORMANCE RIGHTS

Performance Rights

The current terms and conditions of the Class Q, Class R and Class S Performance Rights which, subject to Shareholder approval under Resolution 4, proposed to be varied in accordance with the tables below.

Milestones

Class of Performance Right	Current milestones	Amended milestones
Class Q Performance Right	<p>(a) Talon shares achieving a 20-day VWAP exceeding 175% of the 20-day VWAP of Talon shares at the Commencement Date, after the shareholder meeting approving the grant of the Performance Rights and prior to 30 June 2024 (Class Q Vesting Condition); and</p> <p>(b) continued employment 2 years from Commencement Date (Class Q Employment Condition); or</p> <p>(c) Subject to satisfaction of the Class Q Vesting Condition, but notwithstanding the non-satisfaction of the Class Q Employment Condition or the terms of the Share Rights Plan, all the Class Q Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>	<p>(a) Talon shares achieving a 20-day VWAP exceeding 175% of the 20-day VWAP of Talon shares at the Commencement Date, after the shareholder meeting approving the grant of the Performance Rights and prior to 30 June 2024 (Class Q Vesting Condition); and</p> <p>(b) continued employment 2 years from Commencement Date (Class Q Employment Condition); or</p> <p>(c) all the Class Q Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>
Class R Performance Right	<p>(a) The achievement of Final Investment Decision for the Walyering Gas Project prior to 30 June 2024 (Class R Vesting Condition); and</p>	<p>(a) The achievement of Final Investment Decision for the Walyering Gas Project prior to 30 June 2024 (Class R Vesting Condition); and</p>

Class of Performance Right	Current milestones	Amended milestones
	<p>(b) continued employment 18 months from Commencement Date (Class R Employment Condition); or</p> <p>(c) Subject to satisfaction of the Class R Vesting Condition, but notwithstanding the non-satisfaction of the Class R Employment Condition or the terms of the Share Rights Plan, all the Class R Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>	<p>(b) continued employment 18 months from Commencement Date (Class R Employment Condition); or</p> <p>(c) all the Class R Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>
Class S Performance Rights	<p>(a) The achievement of Commercial Production from the Walyering Gas Project prior to 31 December 2024 (Class S Vesting Condition); and</p> <p>(b) continued employment 2 years from Commencement Date (Class S Employment Condition); or</p> <p>(c) Subject to satisfaction of the Class S Vesting Condition, but notwithstanding the non-satisfaction of the Class S Employment Condition or the terms of the Share Rights Plan, all the Class S Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>	<p>(a) The achievement of Commercial Production from the Walyering Gas Project prior to 31 December 2024 (Class S Vesting Condition); and</p> <p>(b) continued employment 2 years from Commencement Date (Class S Employment Condition); or</p> <p>(c) all the Class S Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control Event.</p>

SCHEDULE 2 – TERMS AND CONDITIONS OF INCENTIVE PLAN

The material terms of the Share Rights Plan (**Incentive Plan**) are summarised below:

- (a) **Purpose of the Plan:** The purpose of the Plan is to provide an incentive for employees and Directors of the Company and its subsidiaries (**Eligible Participants**) by enabling them to participate in the future growth of the Company and, upon becoming Shareholders, to participate in the Company's profits and development. Under the Plan, Eligible Participants may be granted rights to acquire shares in the capital of the Company (**Rights**) upon the satisfaction of specified performance criteria and specified periods of tenure. The provision of this incentive is expected to result in future benefits to the Shareholders and employees of the Company.
- (b) When an Eligible Participant satisfies specified criteria imposed by the Board, the Board may grant the Eligible Participant Rights following a written offer to the Eligible Participant. Among other things, the written offer of Rights to an Eligible Participant will specify the number of Rights being offered (or the method by which the number will be calculated) and the vesting conditions (if any) that must be met by the Eligible Participant before the Rights will vest.
- Under the Plan, the types of Rights that may be granted are performance rights (**Performance Rights**). Terms entitle the Eligible Participant to ordinary shares in the Company upon Performance Rights vesting. Performance Rights vest upon satisfaction of certain performance criteria being met.
- (c) **Number of Rights offered:** The number of Rights that may be offered to an Eligible Participant pursuant to an offer is entirely within the discretion of the Directors. Each Right will, upon vesting, entitle the Eligible Participant to one fully paid ordinary share in the capital of the Company.
- (d) **Vesting Conditions:** The Rights will not vest unless the vesting conditions imposed by the Board (if any) have been satisfied.
- (e) **Exercise price:** Unless the Board determines otherwise, an Eligible Participant will not be required to make any payment in return for a grant of Rights.
- (f) **Lapse of Rights:** Rights that have not vested will lapse in accordance with the terms of the Rights, or on the first to occur of certain specified events, including:
- (i) the nominated expiry date of the Rights;
 - (ii) a failure to meet the vesting conditions;
 - (iii) the Right lapsing in accordance with the rules of the Plan; and
 - (iv) any other circumstances specified by the Board in the offer.
- (g) **Shares allotted upon exercise of Rights:** The Company will issue or transfer shares to the Eligible Participant after the vesting of Rights and upon exercise of the Rights by the holder. The shares allotted under the Plan will be of the same class and will rank equally with shares in the Company at the date of issue. The Company will seek listing of the new shares on ASX within a reasonable time after the shares are issued.
- (h) **Transfer of Rights:** A Right is only transferable with the consent of the Board or by force of law upon death to the Eligible Participant's legal personal representative or upon bankruptcy to the Eligible Participant's trustee in bankruptcy and in each case the transfer complies with the Corporations Act. Where a holder of Rights transfers Rights in breach of this restrictions, the Right will automatically lapse.

- (i) **Takeover or scheme of arrangement:** Subject to an offer providing otherwise, in the event of a Takeover Bid under which a bidder has acquired a relevant interest in at least 50.1% of the Company's shares and the bid is declared unconditional, or a court approves a proposed compromise or arrangement for the purpose of a scheme for the reconstruction of the Company or its amalgamation with another company, the Board may, in its absolute discretion, determine that all or a specified number of unvested Rights vest. Any Right which the Board determines does not vest will lapse, unless the Board determines otherwise.
- (j) **Bonus issues and capital reorganisation:** In order to prevent a reduction of the number of shares to which the Rights relate in the event of bonus issues or a capital reorganisation, there are provisions in the Plan which provide for a method of adjustment of the number of Rights to prevent such a reduction.
- (k) **Participation in new issues:** Other than as summarised in the paragraph above and further detailed in the Plan, there are no participating rights or entitlements inherent in the Rights and the holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Rights. In addition, holders of Rights will not be entitled to vote or receive dividends as a result of their holding of Rights.
- (l) **Administration of the Plan:** The Plan is administered by the Directors of the Company, who have the power to:
 - (i) determine appropriate procedures for administration of the Plan consistent with its terms;
 - (ii) resolve conclusively all questions of fact or interpretation in connection with the Plan;
 - (iii) delegate the exercise of any of its powers or discretions arising under the Plan to any one or more persons for such period and on such conditions as the Board may determine; and
 - (iv) suspend, amend or terminate the Plan (subject to restrictions on amendments to the Plan which reduce the rights of a participant of the Plan in respect of any Rights or Shares already granted).
- (m) **Number of Shares to be issued upon exercise of Rights:** The Company must have reasonable grounds to believe that the number of Shares to be issued on exercise of the Rights when aggregated with the number of Shares issued or that may be issued as a result of offers made at any time during the previous three years under:
 - (i) an employee incentive plan of the Company covered by ASIC Class Order 14/1000; or
 - (ii) an ASIC exempt arrangement of a similar kind to an employee incentive scheme

does not exceed 5% of the total number of issued Shares at the time the invitation to acquire Rights is made (but disregarding any securities issued as the result of an offer that can be disregarded in accordance with ASIC Class Order 14/1000).

- (n) **Cessation of employment:** Unless the Board determines otherwise, an unvested Right will lapse if the holder ceases to be an Eligible Participant for the purposes of the Plan by reason of resignation, termination for poor performance or termination for cause. Unless the Board determines otherwise, if the holder of Rights granted under the Plan ceases to be an employee for any other reason, including but not limited to retirement, total and permanent disablement, death, redundancy or termination by agreement, then any Rights which have not lapsed will continue to be held by the holder as if it was still an Eligible Participant, except that any continuous service condition will be deemed to have been waived.




Talon Energy Ltd
ABN 88 153 229 086

TPD

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Need assistance?

 **Phone:**
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AWST) on Sunday, 29 January 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Talon Energy Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Talon Energy Ltd to be held at 1202 Hay Street, West Perth, WA 6005 on Tuesday, 31 January 2023 at 10:00am (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 4 (except where I/we have indicated a different voting intention in step 2) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of Prior Issue of Shares – Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Prior Issue of Shares – Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Placement Shares to Related Party – Colby Hauser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Variation of Performance Rights Terms – Colby Hauser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

TPD

2 9 6 2 1 3 A



Computershare

