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## TALISMAN MINING LIMITED

ABN 71 079 536 495

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

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**TIME:** 2.30 pm (WST)

**DATE:** 6 July 2011

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

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

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

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2.30 pm (WST) on 6 July 2011 at:

Celtic Club  
48 Ord Street  
West Perth, Western Australia 6005

**YOUR VOTE IS IMPORTANT**

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

**VOTING IN PERSON**

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

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Talisman Mining Ltd PO Box 1262, Subiaco, WA 6904; or
- (b) facsimile to Talisman Mining Limited on facsimile number (+61 8) 9382 8200.

so that it is received not later than 2.30 pm (WST) on 4 July 2011.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Notice is given that the Extraordinary General Meeting of Shareholders will be held at 2.30 pm (WST) on 6 July 2011 at the Celtic Club, 48 Ord Street, West Perth, Western Australia 6005.

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

The directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 4 July 2011.

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

### AGENDA

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#### 1. RESOLUTION 1 – ISSUE OF DIRECTOR OPTIONS - KAREN GADSBY

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

*“That, for the purposes of Chapter 2E of the Corporations Act 2001 (Cth), Listing Rule 10.11 of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue 500,000 Director Options to Ms Karen Gadsby (or her nominee) on the terms and conditions set out in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Ms Gadsby (and her nominee) and any of their associates. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting 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

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#### 2. RESOLUTION 2 – AMENDMENT TO CONSTITUTION - DIVIDENDS

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That with effect from the close of this meeting, the Constitution of the Company be modified by deleting clause 22.3 and replacing it with the following:*

*“22.3 Payment of Dividends*

*Subject to the provisions of the Corporations Act and to any rights or restrictions attached to a class of shares, the Company may pay dividends on shares as the Directors resolve.”*

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**3. RESOLUTION 3 – AMENDMENT TO CONSTITUTION – REGISTRATION FEE TRANSFER OF SHARES**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That with effect from the close of this meeting, the Constitution of the Company be modified by deleting the words “a fee shall not be charged on the registration of a transfer of Shares or other securities” in clause 8.4(c) and replacing them with the following:*

*“the Company may charge a reasonable fee on the registration of a transfer of Shares or other securities”*

**DATED: 2 JUNE 2011**

**BY ORDER OF THE BOARD**



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**DANIEL MADDEN  
COMPANY SECRETARY**

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting 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.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 2.30 pm (WST) on 6 July 2011 at the Celtic Club, 48 Ord Street, West Perth, WA 6005.

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

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### 1. RESOLUTION 1 – ISSUE OF DIRECTOR OPTIONS

#### 1.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 500,000 Director Options to Ms Karen Gadsby (**Related Party**) on the terms and conditions set out below. Ms Gadsby is a Director of the Company and therefore a related party of it.

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

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

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

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

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

- (a) the Related Party is Ms Karen Gadsby who is a related party by virtue of being a Director;
- (b) the primary purpose of the grant of Director Options to the Related Party is to provide cost effective consideration to the Related Party for her ongoing commitment and contribution to the Company in her role as a Director. The Company recognises that 2,000,000 unlisted options held by the Related Party with exercise prices between \$1 and \$2.20 have (or will have) expired on 31 May 2011. The Related Party does not hold any other unlisted options;
- (c) other than as set out in this explanatory statement, the Board does not consider that there are any significant opportunity costs or taxation consequences to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (d) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Party is 500,000 Director Options to Ms Karen Gadsby. The number of proposed options to be granted is based upon what is considered by the Directors to be appropriate to fulfil the objectives of providing effective consideration for the ongoing commitment and contribution to the Company by Ms Gadsby in her role as Director and to provide an incentive for Ms Gadsby to remain with the Company;
- (e) the Director Options will be granted for nil cash consideration and accordingly no funds will be raised by their issue. Any funds raised upon the exercise of the Director Options will be used for working capital purposes;

- (f) the Director Options will be issued to the Related Party no earlier than 6 July 2011 and no later than one (1) month after the date of the Extraordinary Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that all of the Director Options will be issued on one date;
- (g) the Director Options will have exercise prices, vesting dates and expiry dates as follows:

**Karen Gadsby**

| Tranche | Numbers | Exercise Price*    | Vesting Date    | Expiry Date  |
|---------|---------|--------------------|-----------------|--------------|
| 1       | 125,000 | 145% of 5 day vwap | Immediately     | 31 July 2014 |
| 2       | 125,000 | 155% of 5 day vwap | 17 July 2012    | 31 July 2014 |
| 3       | 125,000 | 165% of 5 day vwap | 17 January 2013 | 31 July 2014 |
| 4       | 125,000 | 175% of 5 day vwap | 17 July 2013    | 31 July 2014 |

\*The Exercise Price will be the 5 day volume weighted average share price at the date of grant multiplied by the exercise premium.

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

| Related Party | Shares  | Unlisted Options* | Total Securities Held |
|---------------|---------|-------------------|-----------------------|
| Karen Gadsby  | 311,334 | -                 | 311,334               |

\*The Related Party was previously granted the following Unlisted Options that have (or will have) expired on 31 May 2011:

| No. Options | Exercise Price | Vesting Date     | Expiry Date |
|-------------|----------------|------------------|-------------|
| 500,000     | \$1.00         | 30 November 2008 | 31 May 2011 |
| 500,000     | \$1.20         | 31 May 2009      | 31 May 2011 |
| 500,000     | \$1.60         | 31 May 2010      | 31 May 2011 |
| 500,000     | \$2.20         | 31 March 2011    | 31 May 2011 |

- (k) the remuneration and emoluments paid by the Company to the Related Party for the current financial period and previous financial year are as follows:

| Period                         | Salary & Fees | Superannuation | Non-cash share based payments |
|--------------------------------|---------------|----------------|-------------------------------|
| 11 Months to 1 June 2011       | \$50,417      | \$4,537        | \$34,406                      |
| Financial Year to 30 June 2010 | \$50,000      | \$4,500        | \$114,008                     |

Further details of remuneration and emoluments are available in the remuneration report contained within the 2010 Annual Report available on the ASX and Talisman Mining Limited's website.

- (l) if the Director Options granted to the Related Party are exercised, a total of 500,000 Shares would be allotted and issued. The Company presently has on issue 130,438,627 Shares and 12,550,000 Options (after expiry of 2 million Unlisted Options on 31 May 2011 noted in 1.2(j)) exercisable into Shares over various exercise periods and at various exercise prices. The dilution effect of exercise of the 500,000 Director Options as proposed above is 0.39% of Shares on issue (assuming no other Options are issued) and 0.35% on a fully diluted basis (that is, assuming that all other Options on issue are exercised);
- (m) the market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time, any of the Director Options are exercised and the Company's Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

|         | Price  | Date              |
|---------|--------|-------------------|
| Highest | \$1.26 | 24 September 2010 |
| Lowest  | \$0.40 | 1 July 2010       |
| Last    | \$0.65 | 30 May 2011       |

- (n) Ms Karen Gadsby declines to make a recommendation to Shareholders in relation to Resolution 1 due to her interest (as a potential recipient of Director Options) in the outcome of the Resolution. The other Directors, who do not have an interest in the outcome of Resolution 1, recommend that shareholders vote in favour of Resolution 1 for the following reasons:
- (i) the other Directors consider that it is important for the Company to be able to retain experienced directors and that the proposed Director Options to be granted to Ms Gadsby are appropriate for her level of experience and contribution to the Company;
  - (ii) the Company has previously issued options to Non-Executive Directors and Resolution 1 ensures consistency of treatment;

- (iii) the Non-Executive Directors' fee pool of \$300,000 is currently utilised as to \$143,000 per annum. If the Company is unable to issue Director Options then it may need to consider whether, in order to attract and retain appropriate directors, it needs to increase the level of cash fees payable. The Company has previously noted in the Corporate Governance Statement and Remuneration Report within its 2010 Annual Report that, given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals; and
- (iv) although the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> ed) recommend against the issue of equity securities to non-executive directors, the Company does see merit in ensuring that the interests of all Directors (including non-executives) are further aligned with those of the shareholders so that all can participate in any future upside in the Company's share price.
- (o) The Board (other than Ms Karen Gadsby) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (p) Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Party as approval is being sought under ASX Listing Rule 10.11 (and where approval is given under Listing Rule 10.11, it is not separately required under Listing Rule 7.1). Accordingly, the issue of Director Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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## 2. **RESOLUTION 2 – AMENDMENT TO CONSTITUTION** **Changes to Corporations Act rules for payment of dividends**

On 28 June 2010 the *Corporations Act 2001* was amended to remove the requirement that a dividend may be paid only out of profits of the Company.

The profits requirement for dividends has been replaced by a net assets test which provides that a company must not pay a dividend unless the following conditions are satisfied (Section 254T):

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

### **Amendment of Company's Constitution**

Clause 22.3 *Dividends only Payable from Profits* states that no dividend shall be paid except out of profits. Consequently, if the Company was to pay dividends it would have to comply with the new net assets test under the legislation and may also, by virtue of its Constitution, be required to comply with the profits test.

Whilst the Directors do not expect the Company to pay a dividend in the immediate future, they consider it would be prudent to amend its Constitution to allow for payments of dividends subject to the requirements of the Corporations Act should it be considered appropriate at a future time.



### **Disclosure on Website**

The proposed revised Constitution of the Company is available to view within the Corporate Governance section of the Company's website.

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### **3. RESOLUTION 3 – AMENDMENT TO CONSTITUTION Changes to ASX Listing Rules**

The ASX has amended listing rule 8.14 relating to fees for registering paper based transfers of shares and other securities. This amendment allows listed entities and their registries to charge a reasonable fee to a security holder that submits an off market transfer form which is intended to enable listed entities to enhance their fraud detection procedures in relation to "off market transfers".

#### **Amendment of Company's Constitution**

Clause 8.4 (c) states that a fee may not be charged on the registration of a transfer of Shares and other securities. The company has been advised by its Share Registry Provider that it intends to levy a \$30 fee on the transferee (buyer) of the shares and has advised ASX accordingly. Consequently, it is proposed to amend the Company's constitution to reflect the new ASX listing rule in accordance with ASX Guidance Note 28.

#### **Disclosure on Website**

The proposed revised Constitution of the Company is available to view within the Corporate Governance section of the Company's website.

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### **4. ENQUIRIES**

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

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## GLOSSARY

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**\$** means Australian dollars.

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

**ASX** means ASX Limited.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1. ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) The Director Options will expire at 5:00 pm (WST) on 31 July 2014 (Expiry Date). Any Director Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The Director Options shall comprise four tranches with the following exercise prices (Exercise Price) and different vesting dates as follows:

### Karen Gadsby

| Tranche | Number of options | Vesting date    | Exercise Price*    | Expiry date  |
|---------|-------------------|-----------------|--------------------|--------------|
| 1       | 125,000           | Immediate       | 145% of 5 day vwap | 31 July 2014 |
| 2       | 125,000           | 17 July 2012    | 155% of 5 day vwap | 31 July 2014 |
| 3       | 125,000           | 17 January 2013 | 165% of 5 day vwap | 31 July 2014 |
| 4       | 125,000           | 17 July 2013    | 175% of 5 day vwap | 31 July 2014 |

\*The Exercise Price will be the 5 day volume weighted average share price at the date of grant multiplied by the exercise premium.

- (d) Any Director Options which have not vested at the time the Optionholder ceases to be a Director shall automatically lapse. Any that have vested shall remain capable of exercise up to the Expiry Date.
- (e) The Director Options held by the Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director Options (provided that they have vested) by lodging with the Company, before the Expiry Date:
  - a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
  - a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised.
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (i) The Director Options are not transferable.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.

- (k) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.
- (p) Upon the occurrence of a Trigger Event, all of the outstanding Director Options shall vest. For the purposes of this clause a Trigger Event means:
  - i. the Company obtaining approval at a general meeting for it and its members to enter a scheme of arrangement pursuant to the Corporations Act;
  - ii. the date that the relevant interest of a bidder under a takeover bid for the Company is recorded as a minimum of 50.1% and the bid being declared unconditional;
  - iii. the Company obtaining approval at a general meeting for a transaction under Section 611 Item 7 of the Corporations Act; or
  - iv. the date upon which a person or a group of associated persons becomes entitled to sufficient Shares to give it or them the ability, in general meeting, to replace all or appoint a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

## 2. ANNEXURE B – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Party pursuant to Resolution 1 has been valued by internal management (who, it is considered, have sufficient qualifications, expertise and experience to conduct such a valuation) based on a valuation methodology using the Black & Scholes Option Pricing Model, which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Black & Scholes Model is a function of a number of variables and is rounded to the nearest one hundredth of a cent.

The following estimated valuation assumes that the issue date and share price on date of issue of the Director Options is 23 May 2011. The valuation is not a representative valuation of the Director Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run at the time of issue (ie immediately following the General Meeting of Shareholders).

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

|                                  | <b>Tranche 1</b> | <b>Tranche 2</b> | <b>Tranche 3</b> | <b>Tranche 4</b> |
|----------------------------------|------------------|------------------|------------------|------------------|
| <b>Valuation date</b>            | 23-May-11        | 23-May-11        | 23-May-11        | 23-May-11        |
| <b>Expiry date</b>               | 31-Jul-14        | 31-Jul-14        | 31-Jul-14        | 31-Jul-14        |
| <b>5 day vwap at 23 May 2011</b> | \$0.70           | \$0.70           | \$0.70           | \$0.70           |
| <b>Exercise premium</b>          | 145% 5day vwap   | 155% 5day vwap   | 165% 5day vwap   | 175% 5day vwap   |
| <b>Exercise price*</b>           | \$1.02           | \$1.09           | \$1.16           | \$1.23           |
| <b>Risk free rate</b>            | 5.09%            | 5.09%            | 5.09%            | 5.09%            |
| <b>Volatility</b>                | 142%             | 142%             | 142%             | 142%             |
| <b>Value per Option</b>          | \$0.61           | \$0.61           | \$0.60           | \$0.59           |
| <b>Number of Options</b>         | 125,000          | 125,000          | 125,000          | 125,000          |
| <b>Total value</b>               | \$76,626         | \$75,838         | \$75,087         | \$74,368         |

In the example above the exercise price is the 5 day volume weighted average share price at valuation date (23 May 2011) multiplied by the exercise premium.

The total value of Director Options issued to Karen Gadsby in the example above is \$301,919.

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

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

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

**TALISMAN MINING LIMITED**

**ABN 71 079 536 495**

**PROXY FORM**

The Company Secretary  
Talisman Mining Limited  
PO Box 1262  
Subiaco WA 6904  
Ph (+61 8) 9380 4230  
Fax (+61 8) 9382 8200

**EXTRAORDINARY GENERAL MEETING**

I/We

being a member(s) of Talisman Mining Limited and entitled to attend and vote at the Extraordinary General Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chair of the Extraordinary General Meeting as your proxy

or failing the person/body corporate so named or, if no person/body corporate is named, the Chair of the Extraordinary General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting of the Company to be held at 2.30 pm (WST), on 6 July 2011 at The Celtic Club, 48 Ord Street, West Perth, Western Australia 6005, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

**Voting on Business of the General Meeting**

|  | <b>FOR</b>               | <b>AGAINST</b>           | <b>ABSTAIN</b>           |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 – Issue of Director options –Karen Gadsby                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 – Amendment to Constitution -Dividends                        | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 – Amendment to Constitution –Registration fee transfer shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011 \_\_\_\_\_ %

**By:**

**Individuals and joint holders**

**Companies (affix common seal if appropriate)**

**TALISMAN MINING LIMITED**  
**ABN 71 079 536 495**

**Instructions for Completing Proxy Form**

1. A member entitled to attend and vote at an Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. Where a member's holding is in one name the holder must sign. Where the holding is in more than one name, all members should sign.
3. Where a Proxy Form of a corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.
4. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

5. Completion of a Proxy Form will not prevent individual members from attending the Extraordinary General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Extraordinary General Meeting.
6. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Talisman Mining Limited, PO Box 1262, Subiaco WA 6904; or
  - (b) facsimile to the Company on facsimile number +61 8 9382 8200,

so that it is received not later than 2.30 pm (WST) on 4 July 2011.

**Proxy forms received later than this time will be invalid.**