



TALISMAN MINING LTD

ABN 71 079 536 495

NOTICE OF ANNUAL GENERAL MEETING AND PROXY FORM

Date of Meeting

Wednesday 22 November 2006

Time of Meeting

11:00 am

Place of Meeting

Ord Group Pty Ltd
Level 2 / 47 Colin Street
West Perth, WA

TALISMAN MINING LIMITED

ABN 71 079 536 495

Notice is given that the Annual General Meeting of the members of Talisman Mining Limited (the Company) will be held at Level 2, 47 Colin Street, West Perth WA, on Wednesday 22 November 2006 at 11.00 am for the purposes of transacting the following business.

An Explanatory Memorandum containing information in relation to the following resolutions accompanies this Notice of Annual General Meeting.

Ordinary Business

To receive and consider the financial report of the Company for the year ended 30 June 2006 and the reports by the Directors and Auditors thereon.

To consider and if thought fit, to pass, with or without modification, the following ordinary resolutions:

RESOLUTION 1 – THE RE ELECTION OF MR IAN MACPHERSON.

"Mr. Ian Macpherson retires by rotation and, being eligible, offers himself for re election".

RESOLUTION 2 – REMUNERATION REPORT

"To adopt the Remuneration Report for the year ended 30 June 2006".

Note – the vote on this resolution is advisory only and does not bind the Directors of the Company.

Special Business

RESOLUTION 3 - RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

"That, for all purposes, the Shareholders ratify and approve the issue of 4,500,000 fully paid ordinary shares in the Company as detailed in the Explanatory Statement attached to and forming part of this Notice of Meeting."

Short Explanation: An equity issue can be ratified by shareholders in accordance with ASX Listing Rule 7.4. This allows the Company the flexibility to issue shares and options to subscribe for fully paid shares in the future up to the threshold of 15% of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for details.

Voting Exclusion Statement: For the purposes of ASX Listing Rule 7.5, the Company will disregard any votes cast on this resolution by any person who may have participated in the proposed issue and any of their associates if the resolution is passed. However, the Company need not disregard a vote if:

- 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
- it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 4 - APPROVAL FOR THE ISSUE OF SECURITIES

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 3,500,000 fully paid ordinary shares in the Company at an issue price of 16 cents per share, and up to 4,200,000 series 2010 Options to subscribe for 1 fully paid ordinary share in the Company, forming part of the placement fee payable to advisers RM Capital Pty Ltd or their nominees ("RM Capital") on the terms and conditions set out in the Explanatory Statement attached to and forming part of this Notice of Meeting."

Short Explanation: Under ASX Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month rolling period without shareholder approval. By obtaining the prior approval of shareholders for the issue of Shares and Options proposed under this resolution, the Company retains the flexibility to make future issues of securities up to that threshold.

Voting Exclusion: For the purposes of ASX Listing Rule 7.1, the Company will disregard any votes cast on this resolution by:

- any person who may participate in the proposed issue of the Securities issued under the Prospectus, and
- any person who is an associate of that person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed.

However the Company need not disregard a vote if:

- 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
- if 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.

RESOLUTION 5 – APPROVAL OF EMPLOYEES SHARE OPTION PLAN

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

“That, pursuant to and in accordance with Exception 9(b) in Listing Rule 7.2 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes the shareholders of Talisman Mining Limited approve the issue of Options under the Employees Share Option Plan as detailed in the Explanatory Memorandum which accompanies and forms part of the Notice.”

Voting exclusion statement

In relation to Resolution 2, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors of the Company.

The company however need not disregard a vote if:

- 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
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 6 – GRANT OF OPTIONS TO DIRECTORS

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

“That, pursuant to and in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited and section 208 of the Corporations Act, the Company approve and authorise the grant of issue of the following Options to directors of the company and/or their nominees for no consideration:

Director	Options to be Granted
Mr Ian Macpherson	1,000,000 options exercisable at \$0.25 each on or before 31 December 2010
Mr Michael Hannington	750,000 options exercisable at \$0.25 each on or before 31 December 2010
Mr Steven Elliott	1,000,000 options exercisable at \$0.25 each on or before 31 December 2010

on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting (including Annexure A to the Explanatory Memorandum).”

Voting exclusion statement

In relation to Resolution 3, pursuant of the Official Listing Rules of the Australian Stock Exchange, the Company will disregard any votes cast on this resolution by directors or any related entity or associates.

The company however need not disregard a vote if:

- 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
- it is cast by the chairperson of the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

TALISMAN MINING LIMITED

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NOTES

Who may Vote

For the purposes of regulation 7.11.37 of the Corporations Regulations, the Company determines that members holding ordinary shares as at 11.00 am on 20 November 2006 will be entitled to attend and vote at the Annual General Meeting.

Proxies

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. To be valid, a proxy form must be received by the Company by 11.00 am WST on Monday 20 November 2006 ("Proxy Deadline"). Proxies may be submitted:-
 - a. By hand delivery to the Company's registered office at Level 2, 47 Colin St., West Perth WA 6005; or
 - b. By post addressed to Talisman Mining Limited, Suite 12, 5 Hasler Road, Osborne Park WA 6017; or
 - c. By facsimile at (08) 9445-9575

A proxy appointment must be signed by the Shareholder or the Shareholder's attorney. Where the appointment is signed by the appointer's attorney, a certified copy of the authority, or the authority itself, must be lodged with the Company in one of the above ways by the Proxy Deadline. If facsimile transmission is used, the authority must be certified.

BY ORDER OF THE BOARD



Lloyd Flint
Company Secretary

Dated 12 October 2006

TALISMAN MINING LIMITED

ABN 71 079 536 495

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Talisman Mining Limited (the Company) with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

RESOLUTION 1 – TO RE-ELECT THE FOLLOWING DIRECTOR.

Resolution 1 seeks approval for the re-election of Ian Macpherson, in accordance with section 201H of the Corporations Act 2001, with effect from the end of the meeting.

Mr Macpherson is a graduate from the University of Western Australia with a Bachelor of Commerce in 1977. He commenced his career in commerce in 1978 prior to entering the Chartered Accounting profession. Mr Macpherson was admitted as a partner of the firm that became known as KMG Hungerfords in 1986, having built up a specialist practice in the provision of corporate and financial advice to the mining and mineral exploration industry. In 1987 the firm merged with Arthur Andersen & Co.

In 1990 Mr Macpherson resigned from the partnership of Arthur Andersen & Co to establish Ord Partners. Mr Macpherson has specialised in the area of corporate advice with a particular emphasis on capital structuring, equity and debt raising, Corporate Affairs and Stock Exchange compliance procedures for public companies, both mining and industrial. He has acted in the role of director and company secretary for a number of his clients and has been involved in numerous asset acquisition and disposal engagements involving the preparation of detailed Information Memorandum, pre-acquisition review and Independent Reports. He is currently non-executive Chairman of Visiomed Group Limited and non-executive director of Navigator Resources Limited.

Mr Macpherson is an Associate Member of the Institute of Chartered Accountants in Australia and past member, Executive Council of the Association of Mining Exploration Companies (WA) Inc.

The Board unanimously recommend that shareholders vote in favour of Mr Macpherson's re-election

RESOLUTION 2 – REMUNERATION REPORT

The Board is voluntarily submitting its Remuneration Report to shareholders for consideration and adoption by way of non-binding resolution.

The Remuneration Report is set out in and forms part of the Director's Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the Board's remuneration policy; and
- sets out remuneration details for each Director.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

RESOLUTION 3 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

The Company anticipates that, after the date of this Notice of Meeting and in any event prior to the annual general meeting, it will issue 4,500,000 Shares as follows :

- i 1,000,000 shares forming part of the consideration for the acquisition of the Trillbar North tenements as announced to the ASX on 12 October 2006 and;
- ii 3,500,000 shares to clients of RM Capital at an issue price of 16 cents each being the first tranche of an agreed issue of 7 million shares mandated to RM Capital Pty Ltd by letter of 15 September 2006 and announced to ASX on 19 September 2006; to raise \$560,000;

pursuant to a Prospectus dated on or around 17 October 2006. The Prospectus will also provide for the offer of up to 13.432 million series 2010 Options to be issued by way of a pro-rata offer to all shareholders and up to 4.2 million series 2010 Options forming part of the placement fee to RM Capital as referred to here-in.

The Company anticipates raising up to approximately \$1.254m to be applied to advancing the company's exploration projects.

Resolution 3 seeks approval under Listing Rule 7.4 to ratify the issue for the purposes of Listing Rule 7.1, which provides generally that a company may not issue shares or options to subscribe for shares equal to more than 15% of the company's issued share capital in any 12 month period without subsequently obtaining shareholder approval.

Although the issue of 4,500,000 Shares does not exceed this amount, seeking approval under the Listing Rules allows for the Company in future to issue a further 15% of its issued capital without further reference to the Shares issued under this resolution.

The Shares are to be issued on the same terms as existing ordinary fully paid shares in the Company.

RESOLUTION 4 – APPROVAL FOR THE ISSUE OF SECURITIES

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting. Accordingly, under Resolution 4 and subject to Resolution 3, the Company is seeking shareholder approval under Listing Rule 7.1 for the proposed issue of an additional:

- i 3,500,000 Shares at an issue price of 16 cents per Share; being the 2nd tranche of the agreed issue; and
- ii up to 4,200,000 series 2010 Options as part of the fee payable to RM Capital;

pursuant to a Prospectus dated on or around 17 October 2006. This number of securities is in excess of securities that can be issued pursuant to the 15% calculation set out in Listing Rule 7.1.

The Prospectus provides for the issue of 8,000,000 Shares and 17,632,669 2010 series Options in total. Of this amount, 4,500,000 Shares are the subject of the ratification under Resolution 3 above, with the remaining balance of 3,500,000 Shares and 4,200,000 of the series 2010 Options to be issued in accordance with Resolution 4. The 13,432,669 series 2010 Options are to be offered pursuant to a pro rata issue to existing shareholders for which shareholder approval is not required.

Approval is sought for the proposed issue of 3,500,000 Shares and 4,200,000 series 2010 Options to allow this number of securities not to be included in the calculation set out in ASX Listing Rule 7.1. Subject to the passing of Resolutions 3 and 4, this leaves the Company with the flexibility to issue equity securities in the future up to the 15% threshold.

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders:

- (a) the maximum number of securities to be issued by the Company under the resolution is 3,500,000 Shares and 4,200,000 series 2010 Options ;
- (b) the Shares will be issued progressively, no later than 3 months after the date of the Meeting;
- (c) the Shares will be issued at 16 cents per Share. The 2010 series Options will be issued for nil cents as a fee to RM Capital;
- (d) the identity of the allottees of the Shares is not yet known to the Company. The allottees will be determined at the Directors' discretion in consultation with various stockbroking firms;
- (e) the Shares and Options to be issued will rank equally in all respects with the Company's existing issued Shares and listed 2010 options the terms of which are summarised in Annexure A; and
- (f) the funds raised from the issue of the Shares and Options will be used to advance the company's exploration projects.

RESOLUTION 5 – APPROVAL OF EMPLOYEES SHARE OPTION PLAN

This resolution proposes to implement the Employee Share Option Plan, pursuant to which it will issue Options to eligible employees in order to provide them with an incentive to deliver growth and value to all shareholders. A complete copy of the Employees Share Option Plan is set out below.

Shareholder approval is sought for the issue of the Options to eligible employees of the Company for the purposes of Exception 9(b) of ASX Listing Rule 7.2. If approval is given, Options issued under the Employees Share Option Plan will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without Shareholding approval under Listing Rule 7.1.

It should be noted that any issue of options under the ESOP to directors (or their associates) of the Company will require shareholder approval pursuant to Listing Rule 10.14.

As at the date of this Meeting, no securities will have been issued under the Employees Share Option Plan.

RESOLUTIONS 6 – GRANT OF OPTIONS TO DIRECTORS

Shareholder approval is being sought in Resolutions 6 to grant a total of 2,750,000 Options to the Directors of the Company, and/or their respective nominees.

Related Party Transactions Generally

Chapter 2 E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. The giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. Prior shareholder approval is obtained to the giving of the financial benefit.

Current Holdings

Director	Total holdings	
	Shares	Options*
Ian Macpherson	1,800,000	-
Michael Hannington	300,000	-
Steven Elliott	5,000,003	3,900,000

*Existing options are exercisable at 25cents on or before 30 June 2008. They are unlisted, non-transferable and escrowed to 25 November 2007.

Information Requirements

For the purposes of Chapter 2E, each of the Directors are considered to be related parties of the Company.

Resolution 6 provides for the grant of Options to a Director of the Company which is a financial benefit which requires shareholder approval.

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

The related party to whom the proposed resolution would permit the financial benefit to be given:

Subject to shareholder approval the following maximum number of Options will be granted to the following related parties and/or their respective nominees:

Name of Related Party	Number of Options
Ian Macpherson	1,000,000
Michael Hannington	750,000
Steven Elliott	1,000,000
Total	2,750,000

Each of the Options to be granted to the Directors will have an expiry date of 31 December 2010 and the exercise price of 25 cents being approximately 56% above the weighted average closing share price on the ASX over the 5 trading days preceding the date of the Notice of Meeting. These options are unlisted and will not rank equally with the listed series 2010 options the subject of the Prospectus to be dated on or around 10 October 2006 and resolution 4 above. No application to list the 25 cent 2010 options issued to Directors on the ASX will be made.

The Nature of the Financial Benefit

The proposed financial benefit to be given is the grant of Options for no consideration to Directors as noted above. The terms and conditions of the Options to be granted are set out in Annexure B to this Explanatory Memorandum.

The grant of Options is designed to provide incentive to recipients, to encourage them to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the growth and prosperity of the Company through share ownership. The options to be issued pursuant to this resolution may not be exercised within a 12 month period from issue.

Under the Company's current circumstances the Directors consider that the incentives to the parties noted above, represented by the issue of these options, are a cost effective and efficient reward incentive from the Company perspective, as apposed to alternative forms of incentive, such as the payment of additional cash compensation.

Directors Recommendations

The directors decline to make a recommendation about Resolution 6 as they have a material personal interest in the outcome of that particular resolution as it relates to the proposed issue of Options to them individually or their nominees.

Other information that is reasonable required by members to make a decision and that is known to the Company or any of its Directors.

The proposed ordinary Resolution 6 would have the effect of giving power to the Directors to grant up to 2,750,000 Options on the terms and conditions as set out in Annexure B to this Explanatory Memorandum and as otherwise mentioned above. The Company presently has 36,798,006 issued shares and 3,900,000 unlisted options. If any of the Options granted, the subject of Resolution 6, are exercised the effect would be to dilute the share holding of existing shareholders by 7.5% on an undiluted basis and 6.8% on a diluted basis.

Should resolutions 3 and 4 above be adopted and, the proposed pro-rata option issue referred to here-in be completed in full, the company will have 44,798,006 issued shares, 17,632,669 listed options and 3,900,000 unlisted options. If any of the Options granted, the subject of Resolution 6, are exercised the effect would be to dilute the share holding of existing shareholders by 6.1% on an undiluted basis and 4.0% on a diluted basis.

The market price of the Company's shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading at a price which is higher than the exercise price of the options.

The Director's base salaries per annum (including superannuation) and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of Resolution 6 are as follows:

Director	Description	(\$) p.a	Value of options \$	Total Financial Benefit (\$)
Ian Macpherson	Non Exec. fees	40,000	\$83,982	\$123,982
Michael Hannington	Non Exec. fees	25,000	\$62,986	\$87,986
Steven Elliott	Salary	110,000	\$83,982	\$193,982

Trading history

Over the last year the share has traded between 14 cents per share (lowest) and 25 cents per share (highest). The latest trading price available at the time of preparing this notice of meeting was 16 cents per share.

Valuation of Options

The Company's advisers have valued the Options to be granted to the Directors using the Black&Scholes Option Pricing Model ("BSModel"), which is the most widely used and recognized 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 BSModel is a function of a number of variables, their assessment of the value of the Options has been prepared using the following assumptions:

Variable	Input
Share Price	16
Exercise price of Directors' Options	25 cents
Risk Free Interest Rate	5.70
Estimated volatility	80%
Time (days) to expiry	1522

For the purposes of this valuation the Company's advisers have assumed 30 November 2006 as the issue date of the Options. For the share price, the advisers have assumed 16 cents, as this represents the most recent average price of Talisman Mining Limited's shares and is considered by the advisers to be a fair value for Talisman Mining Limited Shares. The advisers have also assumed a volatility level of 80% given the industry in which the Company operates its financial position and the volatility of listed shares of other companies comparable to Talisman Mining. Based on the assumptions and advice from the Company's advisers, it is considered that the estimated value of Options to be issued to the Directors is 8.39 cents each or \$230,950 in total.

Listing Rule 10.11

Listing Rule 10.11 provides that a Company may not issue securities to a related party unless it has the approval of holders of ordinary securities. Approval given under Listing Rule 10.11 does not require approval to be given under Listing Rule 7.1.

Additional Information

For the purposes of Listing Rule 10.13, the following information is provided to shareholders:

- The Options will be granted to Directors as noted above;
- The maximum number of Options to be issued is 2,750,000;
- The Options will be granted on a date which will be no later than one month after the date of this Annual General Meeting;
- The Options will be granted for no consideration;
- No funds will be raised by the grant of the options; and
- The terms and conditions of the options are set out in Annexure B to this Explanatory Memorandum. The options may not be exercised within the first 12 months of their term, unless a takeover bid is made for the Company or a scheme or arrangement is put to the shareholders or unless otherwise approved by shareholders.
- These Options do not form part of the ESOP plan as detailed in Resolution 5.

TALISMAN MINING LIMITED

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ANNEXURE A

TERMS AND CONDITIONS OF 2010 SERIES LISTED OPTIONS

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 31 December 2010 ("Expiry Date"). Subject to Clause 6 hereof, the options may be exercised at any time prior to 5.00pm WST on 31 December 2010. Options not so exercised shall automatically expire on the Expiry Date.
3. Each ordinary share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the Expiry Date.
6. Method of Exercise of Options
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 10,000 if only part of the Option Holder's total options are exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed for, at 20 cents per share.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 9 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) The Company will comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
9. If there is a bonus issue to the holders of ordinary shares the number of shares over which the option is exercisable may be increased by the number of shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

TALISMAN MINING LIMITED

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ANNEXURE B

TERMS AND CONDITIONS OF 2010 UNLISTED OPTIONS

1. Each option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 31 December 2010 ("Expiry Date"). Subject to Clause 6 hereof, the options may be exercised at any time after the first 12 months of their term and prior to the Expiry Date. The options may be exercised within the first 12 months if a takeover bid is made for the Company or a scheme of arrangement is put to the shareholders or unless otherwise approved by shareholders. Options not so exercised shall automatically expire on the Expiry Date.
3. Each ordinary share allotted as a result of the exercise of any option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
5. Options are transferable at any time prior to the Expiry Date.
6. Method of Exercise of Options
 - (a) The Company will provide to each Option Holder a notice that is to be completed when exercising the options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise of Options must state the number of options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of options must be a multiple of 10,000 if only part of the Option Holder's total options are exercised.
 - (b) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed for, at 25 cents per share.
 - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Option Holder's options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining options.
 - (d) Within 9 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Option Holder.
 - (e) The Company will comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the options and the timetable outlined in the Listing Rules of the ASX, the timetable outlined in the Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least 9 business days after such new issues are announced (or such other date if required under the Listing Rules of the ASX) in order to afford the Option Holder an opportunity to exercise the options held by the Option Holder.
9. There are no rights to change the exercise price or the number of underlying ordinary shares if there is a pro-rata issue or bonus issue to the holders of ordinary shares.

Executive and Employee Option Plan

TALISMAN MINING LIMITED

ABN 71 079 536 495

Date adopted by Board: 11 October 2006
Date adopted by Company: 22 November 2006

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RULES OF THE TALISMAN MINING LIMITED

EXECUTIVE AND EMPLOYEE OPTION PLAN

1. Name

1.1 *This Plan shall be called the Talisman Mining Limited Executive and Employee Option Plan.*

2. Purpose

2.1 *The Purpose of this Plan is to:*

- (1) recognise the ability and efforts of the Directors and employees of the Company who have contributed to the success of the Company;
- (2) provide an incentive to the Directors and employees to achieve the long term objectives of the Company and improve the performance of the Company; and
- (3) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its Directors and employees.

3. Commencement

3.1 *This Plan will commence with effect from the grant of shareholder approval at general meeting such meeting scheduled for 22 November 2006.*

4. Interpretation

4.1 *In these Rules, unless the context otherwise requires:*

- (1) **Application** means an application for Options substantially in the form of Schedule 2;
- (2) **ASX** means Australian Stock Exchange Limited;
- (3) **Bid Period** means, in relation to a takeover bid in respect of shares in the Company, the period referred to in the definition of that expression in section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement.
- (4) **Board of Directors** means the Board of Directors of the Company from time to time (or for the purposes of the Plan, a committee of the Board appointed for that purpose) acting by resolutions made in accordance with the Corporations Act and the Constitution of the Company;
- (5) **Business Day** has the meaning given to that term in the Listing Rules;
- (6) **Change of Control Event** means a shareholder, or a group of associated shareholders, acquiring relevant interests in sufficient shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Board of Directors and that ability is successfully exercised.
- (7) **Commencement Date** means the date the Plan commences in accordance with clause 3;
- (8) **Company** means Talisman Mining Limited (ACN 079 536 495);
- (9) **Contractors** means contractors who have worked for the Company for more than one year and who received 80% or more of their income in the preceding year from the Company
- (10) **Corporations Act** means the Corporations Act 2001 (Cth).
- (11) **Director** means an executive or non-executive director of the Company or its Related Bodies Corporate, from time to time;
- (12) **Eligible Person** means:
 - (a) a full or part-time employee of the Company or Related Body Corporate;
 - (b) a Director;
 - (c) an Officer of the Company; or
 - (d) Contractors
- (13) **Exercise Notice** means a notice substantially in the form of Schedule 1;
- (14) **Exercise Period**, in relation to an Option, means the period commencing on Issue Date, and ending on the Expiry Date, or such other period as the Board resolves;
 - (a) **Exercise Price** means the exercise price specified in an offer of Options, being the weighted average price of the Company's shares on the ASX over the five trading days prior to the date of offer of the Options;
 - (b) Or such other period as the board resolves.
- (15) **Expiry Date** means the earlier of:
 - (a) 5 years from the Issue Date;

- (b) the date on which the Optionholder ceases to be an Eligible Person; or
 - (c) or such other date as the Board resolved.
- (16) **Group** means the Company and its Related Bodies Corporate;
- (17) **Issue Date** means a date upon which the Option Certificate is issued to the Optionholder as set out in the Option Certificate;
- (18) **Listing Rules** means the Listing Rules of ASX;
- (19) **New Issue** means any variation in the share capital of the Company arising from:
- (a) a cash issue; or
 - (b) any issue of Shares or other equity securities or instruments which convert into Shares by way of capitalisation of profits or reserves;
- (20) **Official Quotation** means quotation on the Official List of ASX;
- (21) **Officer** means an officer of the Company or its Related Bodies Corporate, from time to time;
- (22) **Options** means the options granted under this Plan to subscribe for Shares;
- (23) **Optionholder** means a person to whom options are issued under this Plan;
- (24) **Option Certificate** means the certificate issued by the Company to the Optionholder setting out the number of Options issued to the Optionholder, the Issue Date, the Exercise Price and the Exercise Period relating to those Options;
- (25) **Outstanding Options** means, in relation to an Optionholder, Options which remain unexercised from time to time and have not lapsed, expired or otherwise been terminated;
- (26) **Plan** means the Talisman Mining Limited Executive and Employee Option Plan as amended from time to time;
- (27) **Related Bodies Corporate** has the meaning given to that term in section 50 of the Corporations Act;
- (28) **Rules** means these rules as from time to time amended; and
- (29) **Shares** means the ordinary fully paid shares in the capital of the Company.

5. No Effect on Contract of Employment

- 5.1 *This Plan shall not form any part of any contract of employment between the Company and the Eligible Person unless expressly incorporated in the contract of employment by reference or otherwise.*
- 5.2 *Nothing in this Plan:*
- (1) confers on the Eligible Person any right to continue as an employee of the Company;
 - (2) affects the rights which the Company may have to terminate the employment of the Eligible Person; or
 - (3) may be used to increase any compensation or damages in any action brought against the Company in relation to the termination of employment of the Eligible Person.

6. Limitation On Number Of Options Issued

- 6.1 *The total number of Options over unissued Shares in the Company that may be on issue under this Plan, when added to the number of Shares or Options to acquire Shares issued under all other employee or executive share or option plans of the Company must not exceed 5% of the total number of Shares on issue from time to time.*

7. Option Entitlements

- 7.1 *The Board may, from time to time, determine the extent to which Eligible Persons participate in the Plan and may issue Options in accordance with these terms and conditions.*
- 7.2 *Subject to clause 11, on issue and exercise each Option entitles the Optionholder to subscribe for one Share at the Exercise Price.*
- 7.3 *Upon the offer of Options to an Eligible Person, the Company will send the Eligible Person an Application which must be signed by the Eligible Person and returned to the Company within 5 Business Days. Upon the Company receiving the Application for Options in accordance with this clause the Company will issue the relevant number of Options to the Optionholder and issue the Optionholder with an Option Certificate.*
- 7.4 *The Option Certificate will bear an endorsement to the following effect:*
- "The Options to which this Certificate relates were issued subject to the conditions set out in the Talisman Mining Limited Executive and Employee Option Plan."*
- 7.5 *An Eligible Person may only apply for Options in his/her own name or in the name of a nominee of the Eligible Person. An Application for less than the Eligible Person's full entitlement must be in respect of multiples of 100 options.*
- 7.6 *Options will only be issued under the Plan to Directors after the members of the Company have approved the proposed issue, if such approval is required by the Corporations Act or the Listing Rules.*

8. Terms of the Offer of Options

- 8.1 *No monies will be payable for the issue of the Options.*
- 8.2 *The Options shall expire on the Expiry Date.*

- 8.3 Each Option shall carry the right in favour of an Option Holder to subscribe for one Share.
- 8.4 Shares allotted to Option Holders on the exercise of Options shall be issued at the Exercise Price.
- 8.5 The Board may, in its absolute discretion, impose performance hurdles on the exercise of Options by an Optionholder. Performance hurdles must be specified in the offer of Options made under clause 7.3 and state that the relevant Options cannot be exercised unless the performance hurdles are satisfied.

9. Acceptance

- 9.1 The Company shall be obliged to accept any Application made in terms of clause 7 above, provided that the Application accords, in all respects, with these Rules and is for such number of Options, or part thereof, to which the Eligible Person is entitled. Upon acceptance of a duly complying Application the Company, within ten (10) Business Days, shall deliver an Option Certificate in respect of the Options applied for by the Eligible Person.

10. Exercise of Options

- 10.1 Subject to this clause 10, an Optionholder may at any time during the Exercise Period exercise Outstanding Options, in whole or in part, by lodging with the Company at its registered office:
- (1) the Option Certificate;
 - (2) a duly completed and signed Exercise Notice; and
 - (3) the subscription monies for the relevant Shares being the number of Options specified in the Exercise Notice multiplied by the Exercise Price.
- 10.2 Despite anything contained elsewhere in these Rules, an Option is only exercisable if at the time of exercise, the Optionholder is an Eligible Person. The Board of Directors may waive or amend the operation of this clause (but so as not to increase the period for the exercise of an Option) as it applies to an Optionholder in the case of hardship or for any other just reason.
- 10.3 The Company shall allot the resultant Shares within five (5) business days of the exercise of the Option.
- 10.4 Other than listed series of options granted under this option plan, Options shall not be listed for Official Quotation on ASX.
- (1) An Option Holder may not sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option within the period of 1 year from the Issue Date.
 - (2) Subject to clause 10.4(1) an Option Holder may sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of an Option on condition that the proposed new holder of the Option enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the provisions contained in this Plan.
- 10.5 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 10.6 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.

11. Issues and Reconstructions

11.1 New Issues

- (1) An Optionholder is not entitled by reason only of being a holder of Options to participate in any New Issue or any issue of rights to subscribe for additional Shares or any other securities to be issued by the Company. The Optionholder cannot participate in any New Issue or any such issue of rights without exercising the Options prior to the record date for the determination of entitlements to the issue of securities and participating as a result of being a holder of Shares.

11.2 Adjustment

- (1) If the Company makes a New Issue which is a pro rata cash issue to all shareholders of the Company and is of a type referred to in paragraph (a) of the definition of "New Issue" (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, the Exercise Price will be reduced in accordance with the formula set out in Listing Rule 6.22.
- (2) If the Company makes a New Issue which is a pro rata bonus issue to all shareholders of the Company or is of a type referred to in paragraph (b) of the definition of "New Issue" (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, the number of Shares which will be allotted on the exercise of an Option pursuant to clause 10 will be increased by the number of Shares that would have been issued in respect of the Shares the subject of the Option if the Option had been exercised immediately prior to such record date but no change will be made to the Exercise Price.
- (3) Following any adjustment being made pursuant to this clause 11.2, the Board must notify each Optionholder within 1 month after the date on which entitlements are ascertained for the holders of Shares to participate in the issue in writing informing him or her of the number of Shares to be issued on the exercise of the Option and any adjustment to be made to the Exercise Price relating to the Option.

11.3 Reconstruction

- (1) If the Company, while an Option remains unexercised, reconstructs its issued capital (including a reduction, return, subdivision or consolidation of share capital or a reorganisation of share capital), the rights of the Optionholder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

12. Termination Of Right To Exercise Option

12.1 *Subject to clause 12.3, an Option will lapse on the earlier of:*

- (1) the Expiry Date;
- (2) a determination of the Board that the Optionholder has, in the Board's opinion:
 - (a) been dismissed or removed from office for a reason which entitles a company in the Group to dismiss the Optionholder without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of that company (whether or not charged with an offence); or
 - (b) done any act which brings the Group or any company in the Group into disrepute;
- (3) unless otherwise determined by the Board in respect of any of the following Eligible Persons as Optionholders, where:
 - (a) in the case of an Eligible Person who is an employee, the employment of that Eligible Person by the Company or a Related Body Corporate ceases; or
 - (b) in the case of an Eligible Person who is a Director of the Company or a Director of a Related Body Corporate and not an employee of the Company or a Related Body Corporate, the directorship of that Eligible Person ceases.

12.2 *On an Option lapsing, all rights of an Optionholder under the Plan in respect of an Option shall cease, regardless of whether the Option has become exercisable.*

12.3 *The exercise of Options under this Plan shall be effective if the Optionholder ceases to be an Eligible Person in the following circumstances:*

- (1) where an Optionholder dies and at the date of his death that Optionholder held Outstanding Options. In such circumstances, those Outstanding Options are automatically transferred to the estate of the deceased Optionholder and shall continue as provided for by the terms of the Plan notwithstanding that the Optionholder is no longer an Eligible Person;
- (2) where the relevant Eligible Person is a Director and ceases to hold such office by reason of retirement pursuant to the constitution of the Company or the Corporations Act; or
- (3) where the Eligible Person ceases to be an Eligible Person by reason of ill health or accident (resulting in permanent disability). In such circumstances, the Eligible Person's right to exercise Outstanding Options shall not be terminated and shall continue as provided for by the terms of the Plan prior to the occurrence of the illness or permanent disability notwithstanding that the Optionholder is no longer an Eligible Person.

13. Calculations

13.1 *Any calculations or adjustments which are required to be made for the purpose of these Options will be made by the Board of Directors of the Company for the time being and will, in the absence of manifest error, be final and conclusive and binding on the Optionholder.*

13.2 *The Company must notify each Optionholder of any adjustments made to the Exercise Price or the number of Outstanding Options within 10 Business Days of the date of the adjustment. A reference to an adjustment to the Exercise Price of the Outstanding Options does not include variations in the Exercise Price due to fluctuation of the prices for sales of the Shares on the Exchange.*

14. Replacement of Certificates

14.1 *If any Option Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the registered office of the Company on payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence, indemnity and security as the Company may reasonably require. Mutilated or defaced Option Certificates must be surrendered before replacements will be issued.*

14. Restrictions or Alterations to the Plan

15.1 *The Plan may be amended at any time by resolution of the Board subject to the requirements from time to time of the Corporations Act and the Listing Rules including approval by the Company's shareholders of any such amendment to the Plan. Any such amendment however shall not adversely affect the rights of Optionholders who are granted Options prior to such amendment without the consent of the Optionholder, unless such amendment is required by, or necessitated by amendments to, either the Corporations Act or the Listing Rules.*

15. Powers of the Directors

16.1 *The Plan shall be administered by the Board of Directors who shall have the power to:*

- (1) determine procedures from time to time for administration of the Plan consistent with these Rules;
- (2) resolve conclusively all questions of fact or interpretation arising in connection with the Plan; and
- (3) delegate to any one or more persons for such period and on such conditions as may be determined by the Board of Directors, the exercise of any of the Board of Directors' powers or discretions arising under the Plan.

16. Termination of Plan

17.1 *The Plan may at any time be terminated by the Board of Directors but such termination shall not affect the rights of holders of Options issued prior to termination.*

17. Governing Law

18.1 *This Plan shall be governed by, administered and construed in accordance with the Laws of Western Australia.*

Schedule I

Exercise Notice

I,.....being the registered holder of the Options specified below, elect to exercise the Options as specified below in accordance with clause 10 of the terms and conditions of the Options.

Number of Options being exercised:

.....

Name and address of the Shareholder to be entered into the Share register in respect of Shares issued:

.....

.....

.....Postcode.....

Name and address to which certificates evidencing the Shares should be sent:

.....

.....

.....Postcode.....

Enclosed with this notice is the certificate for the Options referred to above together with the relevant subscription monies being \$.....

In exercising the Options in relation to the Shares, I agreed to be bound by the provisions of the constitution of Talisman Mining Limited.

Date:.....

.....

Signed by the Optionholder

Schedule 2

Application for Options

The Secretary
Talisman Mining Limited

Mr.
Mrs.
Miss.

(INSERT DETAILS IN BLOCK LETTERS)

Full Address:
..... Postcode.....

Tax File Number:

hereby apply for:
.....(Number in Words)

.....(Number in Figures)

options in the ACN 063 366 487 Limited Executive and Employee Option Plan.

I request you to issue those options and I agree to accept them subject to the terms of the Talisman Mining Limited Executive and Employee Option Plan and the terms set out in the letter of offer of options dated [].

Signature

Date

TALISMAN MINING LIMITED

ABN 71 079 536 495

PROXY FORM

The Secretary
Talisman Mining Limited
Suite 12, 5 Hasler Road
Osborne Park WA 6017
Ph (08) 9445-8282
Fax (08) 9445-9575

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

the Chairman of the Meeting *(mark box)* **OR** write here the name of the person or body corporate (excluding the registered securityholder) you are appointing if this person/body corporate is **someone other** than the Chairman of the Meeting

or failing the person/body corporate named, or if no person/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 instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 11.00 am Perth time on Wednesday 22 November 2006 and at any adjournment of that meeting. Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received in the Registrar's office no later than 48 hours before the meeting.

IF YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, PLEASE PLACE A MARK IN THIS BOX *

* By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote in favour of all resolutions if no directions are given.

Should you desire to direct your proxy how to vote on any resolution please insert **X in the appropriate box below:**

Resolution

- 1 To approve the re election of Mr Ian Macpherson
- 2 To approve the remuneration report (non binding vote)
- 3 To ratify the issue of securities
- 4 To approve the issue of securities
- 5 To adopt the EEOP
- 6 Approval of grant of options to directors

	For	Against	Abstain
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<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 that item.

Appointing a Second Proxy (if applicable)

or % Contact Telephone Number ()
The number of Shares applicable to this proxy form The percentage of your voting rights Area Code Telephone Number

Signature(s)

Shareholder 1 Shareholder 2 Shareholder 3
Director Director/Secretary Sole Director and Secretary

Company Seal (if required)

Proxies may be lodged either by **facsimile on (08) 9445-9575**, or by mail or delivery to the principal office of the Company at Suite 12, 5 Hasler Road Osborne Park WA 6017. To be valid, a proxy form (and any authority under which the proxy form is signed or a certified copy of the authority) must be received by the Company not less than 48 hours before the time scheduled for commencement of the Meeting. For further instructions on voting, please refer to the rear of this form.

INSTRUCTIONS ON VOTING

1. **How to Vote**

Shareholders may vote by attending the Meeting in person, by proxy or authorised representative.

2. **Voting in Person**

To vote in person, attend the Meeting on the date and at the time and place specified in this Notice of General Meeting.

3. **Voting by Proxy**

Shareholders are entitled to appoint up to 2 individuals to act as proxies to attend the Meeting and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act 2001. In the case of Shares jointly held by 2 or more persons, all joint holders must sign the proxy form.

Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

The proxy may, but need not, be a shareholder of the Company.

4. **Voting Entitlements**

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares 48 hours before the time scheduled for commencement of the Meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.