

13 February 2009

The Manager
Company Announcements Office
Australian Securities Exchange

By Electronic Lodgement

Dear Sir

NOTICE OF GENERAL MEETING

Please find attached the Notice of General Meeting which has been dispatched to shareholders today.

By order of the Board



Darren Crawte
Company Secretary



TALISMAN MINING LIMITED

ABN 71 079 536 495

NOTICE OF GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

TIME: 10.30 am (WST)
DATE: 17 March 2009
PLACE: Ground Level
6 Centro Avenue
SUBIACO WA 6008

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) 9321 3514.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.30 am (WST) on 17 March 2009 at:

Ground Level
6 Centro Avenue
SUBIACO WA 6008

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

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 5.00 pm (WST) on 13 March 2009.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10.30 am (WST) on 17 March 2009 at Ground Level, 6 Centro Avenue, SUBIACO WA 6008.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the 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 General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 13 March 2009.

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

AGENDA

1. RESOLUTION 1 – ISSUE OF DIRECTOR OPTIONS – MR. GARY LETHRIDGE

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

“That, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the directors to allot and issue 4,000,000 Director Options to Mr. Gary Lethridge (or his 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 Mr. Gary Lethridge (or his nominee) and any of his 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.

DATED: 13 FEBRUARY 2009

BY ORDER OF THE BOARD



DARREN CRAWTE
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.30 am (WST) on 17 March 2009 at Ground Level, 6 Centro Avenue, SUBIACO WA 6008.

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 Resolution in the Notice of Meeting.

1. RESOLUTION 1 – ISSUE OF DIRECTOR OPTIONS – MR. GARY LETHRIDGE

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 4,000,000 Director Options to Mr. Gary Lethridge (**Related Party**) on the terms and conditions set out below.

As set out in this Explanatory Statement, the grant of a 'financial benefit' to a related party of a public company requires approval under Chapter 2E of the Corporations Act as directors are considered a related party to 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 an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in the 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 and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Director Options to the Related Party.

Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

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 Mr. Gary Lethridge and he is a related party by virtue of being a director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Party is 4,000,000.
- (c) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised.
- (d) the Director Options will be granted to the Related Party no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Director Options will be issued on one date;

- (e) the Director Options shall be issued in three tranches with different vesting dates as follows:

Tranche	Number of options	Vesting date	Exercise price	Expiry date
1	2,000,000	Immediately*	\$0.22	31 August 2011
2	1,000,000	30 June 2009	\$0.22	31 August 2011
3	1,000,000	31 December 2009	\$0.22	31 August 2011

* The terms of the options were agreed on the 22nd December 2008, being the date appointment was accepted. The share price of the Company at that time was \$0.09.

- (f) other terms and conditions of the Director Options are set out in Schedule 1;
- (g) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (h) Mr. Gary Lethridge currently has no relevant interest in the securities of the Company;
- (i) the remuneration and emoluments from the Company to the Related Party for both the current financial year and previous financial year are set out below:

Related Party	Current financial year	Previous financial year
Mr. Gary Lethridge	\$275,000 plus 9% superannuation	N/A

- (j) if the Director Options granted to the Related Party are exercised, a total of 4,000,000 Shares would be allotted and issued. This would increase the number of Shares on issue from 75,463,047 to 79,463,047 (assuming that no other Options are exercised and no other Shares are issued) with a dilution effect of 5.03% on existing Shareholders;
- (k) 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 the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	\$0.745	26 February 2008
Lowest	\$0.090	30 December 2008
Last	\$0.20	10 February 2009

- (l) the primary purpose of the grant of the Director Options to the Related Party is to provide cost effective consideration to the Related Party for his ongoing commitment and contribution to the Company in his respective role as director. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- (m) Mr. Gary Lethridge declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution. The other directors, who do not have a material interest in the outcome of Resolution 1, recommend that Shareholders vote in favour of Resolution 1. The Board (other than Mr. Gary Lethridge) 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 interest of the Company to pass the Resolution.

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 obtained under ASX Listing Rule 10.11. 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.

2. ENQUIRIES

Shareholders are required to contact the Company Secretary on (+ 61 8) 9321 3514 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ 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).

Director Options means Options granted pursuant to Resolution 1 with the terms and conditions set out in Schedule 1.

Directors means the current Directors of the Company.

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

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

Notice of Meeting or **Notice of General Meeting** means this notice of 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.

SCHEDULE 1 – 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 for Mr. Gary Lethridge will expire at 5:00 pm (WST) on 31 August 2011 (**Expiry Date**). Any Director Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The Director Options shall be issued in three tranches with the same exercise price (**Exercise Price**) and different vesting dates as follows:

Tranche	Number of options	Vesting date	Exercise price	Expiry date
1	2,000,000	Immediate*	\$0.22	31 August 2011
2	1,000,000	30 June 2009	\$0.22	31 August 2011
3	1,000,000	31 December 2009	\$0.22	31 August 2011

* The terms of the options were agreed on the 22nd December 2008, being the date appointment was accepted. The share price of the Company at that time was \$0.09.

- (d) Any Director Options which have not vested at the time the Optionholder ceases to be a Director shall automatically lapse.
- (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 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,

(Exercise Notice).
- (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 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.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Party pursuant to Resolution 1 have been valued by internal management using a Black & Scholes pricing model. The Director Options have been ascribed an estimated value as follows:

Valuation date	10/02/2009
Expiry date	31/08/2011
Spot price	\$0.20
Exercise price	\$0.22
Risk free rate	3.73%
Volatility	142%
Value per Option	14.85 cents
Number of Options	4,000,000
Total value	\$594,000