

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

ANNUAL GENERAL MEETING

I/We

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

Appoint

OR

Mark this box if you wish to appoint the Chair of the Annual 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 Annual 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 Annual General Meeting of the Company to be held at 9.00 am (WST), on 26 November 2010 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

Resolution 1 – Adoption of the Remuneration Report
Resolution 2 – Re-election of Ms Karen Gadsby
Resolution 3 – Re-approval of Mr Brian Dawes
Resolution 4 – Ratification of prior issue of shares
Resolution 5 – Issue of Director options –Alan Senior

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"/>

OR

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 1 to 3 please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 5 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 5 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 5 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 5.

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 _____ 2010 _____ %

By:

Individuals and joint holders

Signature
Signature
Signature

Companies (affix common seal if appropriate)

Director
Director/Company Secretary
Sole Director and Sole Company Secretary

TALISMAN MINING LIMITED
ABN 71 079 536 495

Instructions for Completing Proxy Form

1. A member entitled to attend and vote at an Annual 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 Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual 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 Annual 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 9.00 am (WST) on 24 November 2010.

Proxy forms received later than this time will be invalid.



TALISMAN MINING LIMITED

ABN 71 079 536 495

NOTICE OF ANNUAL GENERAL MEETING EXPLANATORY STATEMENT AND PROXY FORM

TIME: 9.00 am (WST)

DATE: 26 November 2010

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

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00 am (WST) on 26 November 2010 at:

Celtic Club
48 Ord Street
West Perth, Western Australia 6005

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the Annual 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 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 9.00 am (WST) on 24 November 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 9.00 am (WST) on 26 November 2010 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 Annual 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 Annual General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WST) on 24 November 2010.

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

AGENDA

1. **ANNUAL REPORT**

To receive and consider the financial report of the Company together with the reports of the directors and the auditor for the financial year ended 30 June 2010.

2. **RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT**

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

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the remuneration report for the financial year ended 30 June 2010 be adopted”.

The vote on this resolution is advisory only and does not bind the directors of the Company.

3. **RESOLUTION 2 – RE-ELECTION OF MS KAREN GADSBY**

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

“That, Ms Karen Gadsby, a director of the Company who retires in accordance with clause 13.2 of the Company’s constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company”.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Ms Gadsby (or her nominee) and any of her associates.

4. **RESOLUTION 3 – RE-ELECTION OF MR BRIAN DAWES**

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

“That, Mr Brian Dawes, a director of the Company who retires in accordance with clause 13.2 of the Company’s constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company”.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Dawes (or his nominee) and any of his associates.

5. **RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES**

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

"That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the previous issues of 10,572,227 and 129,870 Shares at issue prices of \$0.90 and \$0.77 per Share respectively in the capital of the Company (as further described in the Explanatory Statement) be ratified and approved."

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 ordinary 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: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. 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.

6. **RESOLUTION 5 – ISSUE OF DIRECTOR OPTIONS – ALAN SENIOR**

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 1,000,000 Director Options to Mr Alan Senior (or his nominee) on the terms and conditions set out in the Explanatory".

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Senior (and his 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

DATED: 25 OCTOBER 2010

BY ORDER OF THE BOARD



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.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.00am (WST) on 26 November 2010 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.

1. ANNUAL REPORT

Section 317 of the Corporations Act requires the reports of the directors and of the auditors and the Annual Report, including the financial statements to be put before the Annual General Meeting and the Constitution provides for those reports and statements to be received and considered at the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the reports or statements. However, Shareholders will be given the opportunity to raise questions on the reports and the statements at the Annual General Meeting.

The Company's 2010 Annual Report is available at www.talismanmining.com.au. Those holders that elected to receive a printed copy of the Annual Report will have received a copy with this Notice of Annual General Meeting.

2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

Section 300A of the Corporations Act sets out the information that should be included in the Remuneration Report. Section 250R(2) of the Corporations Act requires that a resolution that the Remuneration Report be adopted and be put to a vote of Shareholders at the Company's Annual General Meeting. The vote on this resolution is only advisory to the Company and does not bind the Board.

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

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- discusses the relationship between such policy and the Company's performance; and
- sets out remuneration details for each director.

Under section 250SA of the Corporations Act, Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The directors consider that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. On that basis, the directors unanimously recommend that members vote in favour of this advisory resolution.

3. RESOLUTION 2 – RE-ELECTION OF MS KAREN GADSBY

Clause 13.2 of the Constitution provides that at each Annual General Meeting one-third of the directors shall retire from office. Ms Karen Gadsby retires from office in accordance with this requirement and being eligible offers himself for re-election by shareholders as a director of the Company, with effect from the end of the meeting.

Karen has 26 years experience in Finance, graduated from UWA with a Bachelor of Commerce in 1984 and qualified as a Chartered Accountant with Coopers and Lybrand (WA) in 1987.

Karen worked for North Ltd throughout Australia for 13 years in various executive roles including 6 years with Robe River Iron Associates in Perth. She has held the positions of General Manager Finance, CFO and Company Secretary.

She now resides in WA, has been involved with boards for over 12 years and now predominately works as a non-executive director. She is currently a director of the boards of Forest Products Commission and Community First International Ltd and was previously a director of AMES(Vic) GMHBA (Vic), Western Health (Vic) and Perth Home Care Services. Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards. She also consults and advises in the areas of business and finance strategy, change management and executive mentoring.

Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.

The Board unanimously recommends that shareholders vote in favour of the re-election of Ms Gadsby as a director.

4. RESOLUTION 3 – RE-ELECTION OF MR BRIAN DAWES

Clause 13.2 of the Constitution provides that at each Annual General Meeting one-third of the directors shall retire from office. Mr Brian Dawes retires from office in accordance with this requirement and being eligible offers himself for re-election by shareholders as a director of the Company, with effect from the end of the meeting.

Brian has a mining engineering background with over 27 years experience in corporate, senior management, operational, consulting, and planning roles. A graduate of Leeds University, he has extensive experience across a diverse set of base metal and gold projects around Australia and holds first class mine managers certificates for WA, Queensland, Tasmania, and the NT. He has lived in Africa and the Middle East working on established and greenfields base metal projects.

Previously Brian has held the positions of: EGM Operations & Projects with Jubilee Mines until its sale, GM Operations with Western Areas, Group Mining Engineer with LionOre Australia, and other roles with WMC, Normandy Mining, Aberfoyle, Minproc and MIM.

The Board unanimously recommends that shareholders vote in favour of the re-election of Mr Dawes as a director.

5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF SHARES

5.1 General

On 11 December 2009, the Company announced to ASX that it had agreed to purchase the Halloween Copper-gold project for \$300,000 cash and \$100,000 of share consideration plus a production royalty. Subsequent to this announcement the Company issued 129,870 shares as share consideration on 16 December 2009 (being within the Company's 15% placement capacity under the Listing Rules).

On 19 February 2010, the Company announced to ASX that it had arranged a private placement to raise a total of approximately \$9.5 million (before issue costs). The placement would be completed in one tranche totalling 10,572,227 million Shares (being within the Company's 15% placement capacity under the Listing Rules).

ASX Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of the 12 month period.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the Company's members subsequently approve it.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 10,702,097 Shares comprising 129,870 shares as partial purchase consideration and the placement of 10,572,227 shares (**Ratification**), which Shares were issued on 16 December 2009 and 24 February 2010 respectively. By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

5.2 Technical Information Required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) a total of 10,572,227 Shares were issued to sophisticated and institutional investors on 24 February 2010 at an issue price per Share of \$0.90. The placees were not related parties of the Company;
- (b) a total of 129,870 Shares were issued to Mr Max Pedri and Mr Keith Scudds as part of consideration for the acquisition of the Halloween Copper-gold project on 16 December 2010;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as, and ranking equally (from the date of their issue) with, the Company's existing Shares; and
- (d) any funds raised were used to strengthen the Company's working capital position and underpin its growth strategy.

6. RESOLUTION 5– ISSUE OF DIRECTOR OPTIONS

6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,000,000 Director Options to Mr Alan Senior (**Related Party**) on the terms and conditions set out below. Mr Senior 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, Mr Senior 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.

6.2 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 Mr Alan Senior 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 his ongoing commitment and contribution to the Company in his role as a Director. The Company recognises that current unlisted options issued to the Related Party are due to expire on 30 November 2010;

- (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 1,000,000 Director Options to Mr Alan Senior. 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 Mr Senior in his role as Director and to provide an incentive for Mr Senior 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 1 December 2010 and no later than one (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 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:

Alan Senior

Tranche	Numbers	Exercise Price*	Vesting Date	Expiry Date
1	250,000	145% of 5 day vwap	Immediately	30 November 2013
2	250,000	155% of 5 day vwap	1 December 2011	30 November 2013
3	250,000	165% of 5 day vwap	1 June 2012	30 November 2013
4	250,000	175% of 5 day vwap	1 December 2012	30 November 2013

*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
Alan Senior	116,666	4,000,000	4,116,666

Unlisted options vest on 30 November 2010. Details are as follows:

No. Options	Exercise Price	Vesting Date	Expiry Date
1,000,000	\$1.00	19 May 2008	30 November 2010
1,000,000	\$1.20	30 November 2009	30 November 2010
1,000,000	\$1.60	30 November 2009	30 November 2010
1,000,000	\$2.20	30 September 2010	30 November 2010

- (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
5 Months to 30 November 2010	\$36,667	\$3,300	\$23,297
Financial Year to 30 June 2010	\$80,000	\$7,200	\$164,084

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 1,000,000 Shares would be allotted and issued. The Company presently has on issue 107,961,071 Shares and 42,817,783 Options exercisable into Shares over various exercise periods and at various exercise prices. The dilution effect of exercise of the 1,000,000 Director Options as proposed above is 0.93% of Shares on issue (assuming no other Options are issued) and 0.66% 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	\$1.28	24 September 2010
Lowest	\$0.40	1 July 2010
Last	\$1.18	7 October 2010

- (n) Mr Alan Senior declines to make a recommendation to Shareholders in relation to Resolution 5 due to his 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 5, 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 Mr Senior are appropriate for his level of experience and contribution to the Company. The other Directors therefore recommend that Shareholders vote in favour of Resolution 5. The Board (other than Mr Alan Senior) 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

- (o) 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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7. 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.

GLOSSARY

\$ means Australian dollars.

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

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.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual 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 30 November 2013 (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:

Alan Senior

Tranche	Number of options	Vesting date	Exercise Price*	Expiry date
1	250,000	Immediate	145% of 5 day vwap	30 November 2013
2	250,000	1 December 2011	155% of 5 day vwap	30 November 2013
3	250,000	1 June 2012	165% of 5 day vwap	30 November 2013
4	250,000	1 December 2012	175% of 5 day vwap	30 November 2013

*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 5 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 28 September 2010. 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:

Alan Senior

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Valuation date	28 September 2010	28 September 2010	28 September 2010	28 September 2010
Expiry date	30 November 2013	30 November 2013	30 November 2013	30 November 2013
5 day vwap at 28 September 2010	\$1.21	\$1.21	\$1.21	\$1.21
Exercise premium	145% 5day vwap	155% 5 day vwap	165% 5 day vwap	175% 5 day vwap
Exercise price*	\$1.76	\$1.88	\$2.00	\$2.12
Risk free rate	4.87%	4.87%	4.87%	4.87%
Volatility	134%	134%	134%	134%
Value per Option	\$0.854	\$0.843	\$0.833	\$0.823
Number of Options	250,000	250,000	250,000	250,000
Total value	\$213,500	\$210,750	\$208,250	\$205,750

*In the example above the exercise price is the 5 day volume weighted average share price at valuation date (28 September 2010) multiplied by the exercise premium.

The total value of Director Options issued to Alan Senior in the example above is \$838,250.

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.

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