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**TALGA RESOURCES LIMITED****ACN 138 405 419****NOTICE OF GENERAL MEETING**

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**TIME:** 10.00am

**DATE:** Monday, 23 June 2014

**PLACE:** The Park Business Centre  
45 Ventnor Avenue  
West Perth WA 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) 9481 6667.***

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## **CONTENTS PAGE**

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Business of the Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	6
Glossary	13
Proxy Form	15

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## **IMPORTANT INFORMATION**

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### **TIME AND PLACE OF MEETING**

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Notice is given that the meeting of the Shareholders to which this Notice of Meeting relates will be held on Monday 23 June 2014 at:

The Park Business Centre  
45 Ventnor Avenue  
West Perth WA 6005

### **YOUR VOTE IS IMPORTANT**

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

### **VOTING ELIGIBILITY**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00am on 21 June 2014.

### **VOTING IN PERSON**

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

### **VOTING BY PROXY**

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

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

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies

should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

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

Further details on these changes is set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF 160,000 SHARES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 160,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**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. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF 100,000 SHARES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 100,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**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. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF 20,000,000 PLACEMENT SHARES

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 20,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**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. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**4. RESOLUTION 4 – ISSUE OF SHARES TO MARK THOMPSON UNDER THE TALGA MANAGEMENT INCENTIVE EQUITY 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 Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 4,000,000 Shares to Mr Mark Thompson (and/or his nominee) under the Talga Management Incentive Equity Plan as Director incentive remuneration, each at market value on the day of issue and on the terms and conditions in the Explanatory Memorandum”*

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in the Talga Management Incentive Equity Plan). However, 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless the appointment specifies the way the proxy is to vote on this Resolution or the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

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**5. RESOLUTION 5 – ISSUE OF OPTIONS TO MR KEITH COUGHLAN**

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 and for all other purposes, Shareholders approve the issue of 1,500,000 Options to Mr Keith Coughlan (and/or his nominee) on the terms and conditions in the Explanatory Memorandum.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Keith Coughlan or his nominee and any of their associates. However, 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless the appointment specifies the way the proxy is to vote on this Resolution or the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

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**6. RESOLUTION 6 – ISSUE OF OPTIONS TO MR GRANT MOONEY**

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 and for all other purposes, Shareholders approve the issue of 1,000,000 Options to Mr Grant Mooney (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Grant Mooney or his nominee and any of their associates. However, 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.

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless the appointment specifies the way the proxy is to vote on this Resolution or the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

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**DATED: 23 MAY 2014**

**BY ORDER OF THE BOARD**



**MARK THOMPSON  
MANAGING DIRECTOR**

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## EXPLANATORY STATEMENT

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

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### 1. RESOLUTIONS 1 & 2 – RATIFICATION OF PRIOR ISSUE OF 260,000 SHARES

#### 1.1 General

On 26 November 2013 the Company issued a total of 260,000 Shares to consultants of the Company in satisfaction for the provision of international corporate advisory and geological services.

The 260,000 Shares were issued pursuant to the Company's capacity under ASX Listing Rule 7.1.

Resolutions 1 and 2 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying these issues, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1

Resolutions 1 and 2 are ordinary resolutions.

#### 1.2 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) 260,000 Shares were issued on 26 November 2013;
- (b) the deemed issue price was \$0.06 per Share;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) 160,000 Shares the subject of Resolution 1 were issued to General Research GmbH (GRG) an international corporate advisory firm based in Germany and 100,000 Shares the subject of Resolution 2 were issued to Cocksrocks Pty Ltd a Geological Consulting firm based in Australia, who are not related parties of the Company; and

- (e) No funds were raised from this issue, the Shares were issued as consideration for services to the Company.

### 1.3 Directors Recommendation

The Directors recommend that Shareholders vote in favour of Resolutions 1 and 2, as it allows the Company to ratify the above issue of securities and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

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## 2. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – 20,000,000 PLACEMENT SHARES

### 2.1 General

On 21 March 2014, the Company issued 20,000,000 Shares at an issue price of \$0.085 per Share to raise \$1,700,000 (**Placement**).

11,519,991 Shares were issued pursuant to the Company's capacity under ASX Listing Rule 7.1 and 8,480,009 Shares were issued pursuant to ASX Listing Rule 7.1A.

Resolution 3 seeks Shareholder Ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

A summary ASX Listing Rule 7.1 is set out in section 1.1 above.

ASX Listing Rule 7.1A provides that a company may seek Shareholder approval at its annual general meeting to allow it to issue Securities up to 10% of its issued capital, provided that it is an eligible entity (**Eligible Entity**). An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

On 21 November 2013, the Company obtained approval under ASX Listing Rule 7.1A as the Company was an Eligible Entity.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1 and 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 or 7.1A (and provided that the previous issue did not breach ASX Listing Rule 7.1 or 7.1A) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1 and 7.1A.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and up to the 10% annual placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

Resolution 3 is an ordinary resolution.

### 2.2 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) 20,000,000 Shares were issued;
- (b) the issue price was \$0.085 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to institutional and sophisticated investors and clients of Patersons and QA Capital Pty Ltd. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue are intended to be applied to graphite and graphene metallurgy, up scaling tests, economic studies, exploration and for general working capital.

### 2.3 Directors Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 3, as it allows the Company to ratify the above issue of securities and retain the flexibility to issue further securities representing up to 25% of the Company's share capital during the next 12 months.

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## 3. RESOLUTION 4 – ISSUE OF SHARES TO MARK THOMPSON UNDER THE TALGA MANAGEMENT INCENTIVE EQUITY PLAN

### 3.1 General

Resolution 4 seeks Shareholder approval in accordance with Listing Rule 10.14 for the purpose of Mr Mark Thompson (or his nominees), subscribing for up to 4,000,000 Shares pursuant to the Talga Management Incentive Equity Plan (**Management Incentive Plan**), and otherwise on the terms and conditions set out below.

The object of the Management Incentive Plan is to provide a mechanism by which Senior Managers and/or Directors selected by the Plan Committee (**Eligible Employees**) may acquire Shares for the purpose of sharing in the future of the Company. The Management Incentive Plan provides for the issue of Shares to Eligible Employees in accordance with the Management Incentive Plan Rules. To enable an Eligible Employee to acquire Shares, the Company may provide to an Eligible Employee an interest free loan.

The Company has agreed, subject to obtaining Shareholder approval, to the provision of a limited recourse, interest free loan (**Loan**) to the Managing Director, Mr Mark Thompson, pursuant to the Management Incentive Plan for the purpose of subscribing for 4,000,000 Shares on the terms and conditions set out below. In forming the decision to implement the loan to the Managing Director the Board and its remuneration committee first undertook the following background activities:

- Conducted an internal review of the performance of the Managing Director.
- Reviewed similar sized listed companies operating in similar industries in regards to setting appropriate Managing Director remuneration.
- Considered the fact that the Managing Director in the past had voluntarily reduced his remuneration as the market had constrained the funding ability of the business.

- Considered the most appropriate structure of incentive for the Managing Director including a review of peer companies. Based on this review, the Board determined that the non-cash share loan was the most appropriate incentive structure.

The Board (other than Mr Thompson) takes the view that a cash based incentive structure is inappropriate at the current stage of development. The Board (other than Mr Thompson) takes the view that the non-cash loan structure provides a suitable incentive whilst avoiding the payment of a cash bonus. The Board (other than Mr Thompson) takes the view that an equity-based incentive plan is essential part of retaining our senior executives in an increasingly competitive market for skilled executives and the recommended non-cash share loan becomes the sole short, medium and long term incentive for the Managing Director.

Resolution 4 is an ordinary resolution.

### **3.2 Chapter 2E of the Corporations Act**

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

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

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

The issue of Shares and provision of a Loan constitutes giving a financial benefit and Mr Mark Thompson is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Mark Thompson who has a material personal interest in Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the shares and provision of a loan because the reasonable remuneration exception in Section 211 of the Corporations Act applies.

### **3.3 Listing Rule 10.14**

Pursuant to Listing Rule 10.14, the Company must not permit a Director and any of his associates to acquire securities under an employee incentive scheme unless it obtains Shareholder approval.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rules 7.1 and 10.11 is not required.

The Chairman will cast all available proxies in favour of Resolution 4.

### 3.4 Information required by Listing Rule 10.15

Listing Rule 10.15 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.14:

- (a) The Shares will be issued to Mr Mark Thompson (or his nominees) who is a related party by virtue of being a Director
- (b) The maximum number of Shares to be issued under Resolution 4 is 4,000,000.
- (c) The maximum amount of the Loan can be calculated by multiplying the number of Shares to be issued being 4,000,000 Shares by the issue price (to be determined in accordance with paragraph (c)).
- (d) The Shares to be issued under Resolution 4 will be issued at an issue price equal to the closing market price on the day of issue.
- (e) No funds will be raised from the issue of the Shares as there will be no change to the Company's cash position (i.e. the Loan made by the Company will be issued to subscribe for the Shares to be issued to Mr Thompson). Amounts repaid to the Company by Mr Thompson in the future in satisfaction of the Loan will be used by the Company for general working capital purposes.
- (f) No securities have been issued under the Management Incentive Plan. Senior Managers and/or Directors determined by the Plan Committee in their absolute discretion may be eligible to participate in the Management Incentive Plan. At the current time, the Company has only made an offer to Mr Thompson. No other Directors or Senior Managers are being offered Shares under the Management Incentive Plan.
- (g) The Loan will be provided on the following key terms and otherwise subject to the terms and conditions of the Management Incentive Plan:
  - (i) the amount of the Loan to Mr Thompson is equal to the market value of 4,000,000 shares on the day of issue to fund the amount payable for the 4,000,000 Shares;
  - (ii) no interest is payable on the Loan;
  - (iii) the Loan is limited in recourse to amounts recovered from disposal of the Shares;
  - (iv) the Loan is to be repaid if Mr Thompson's employment is terminated and he is not a good leaver (e.g. summary dismissal or termination of employment for misconduct);
  - (v) the Loan may be forgiven by the Company at any time;
  - (vi) the Loan is repayable 5 years after the date of issue of the Shares;
  - (vii) if, upon the expiration of the term of the Loan the Company does not exercise its right to buy back or facilitate the transfer of the Shares, Mr Thompson will be entitled to sell the Shares in an approved trading window of the Company;

- (viii) where a Share is sold, the Loan amount for that Share and that Share only must be repaid to the Company in cleared funds within 5 business days of the sale; and
  - (ix) the Loan is secured against the Shares but Mr Thompson is not personally liable for the Loan. In other words, in the event the Shares are sold to repay the Loan but the sale proceeds are insufficient to cover the amount of the Loan which is outstanding the Company cannot recover the remaining amount from Mr Thompson and the Company will be unlikely to recoup the full face value of the Loan. Conversely, where the sale proceeds are greater than the amount of the Loan the Company will not receive an additional repayment as Mr Thompson is entitled to the surplus proceeds.
- (h) The Chairman will cast all available proxies in favour of Resolution 4.
- (i) The Company will issue the Shares no later than 12 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

### **3.5 Directors recommendation**

Mr Thompson has an interest in Resolution 4 and therefore declines to make a recommendation in relation to Resolution 4. The other Directors each recommend the issue of the 4,000,000 Shares to Mr Thompson as it aligns the interests of the Company and Mr Thompson to maximise Shareholder value.

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## **4. RESOLUTION 5 & 6 – ISSUE OF OPTIONS TO MR KEITH COUGHLAN AND MR GRANT MOONEY**

### **4.1 General**

Resolutions 5 and 6 seek Shareholder approval in accordance with Listing Rule 10.11 for the issue of 1,500,000 Options to Mr Keith Coughlan and 1,000,000 Options to Mr Grant Mooney (or their nominees).

The purpose of the grant of the Options to Messrs Coughlan and Mooney is for the Company to retain non-executive directors of high calibre and to provide cost effective remuneration to Messrs Coughlan and Mooney for their ongoing commitment and contribution to the Company in their roles as Non-Executive Directors.

The Board does not consider that there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the Options upon the terms proposed. The Board considers it reasonable for the remuneration of Messrs Coughlan and Mooney to have a cash component and an equity component to further align Messrs Coughlan and Mooney's interests with Shareholders and maintain a strong cash position for the Company.

Pursuant to Listing Rule 10.11, a related party of a listed company is precluded from participating in any issue of securities in the company without the prior approval of shareholders.

A "related party" for the purposes of the Corporations Act is defined widely and includes a director of a public company. Messrs Coughlan and Mooney are related parties of the Company by reason of their positions as Directors.

Shareholder approval of the issue of Options means that the issue of the Options will not reduce the Company's placement capacity under Listing Rule 7.1.

Resolutions 5 and 6 are ordinary resolutions.

The Chairman will cast all available proxies in favour of Resolutions 5 and 6.

#### **4.2 Chapter 2E of the Corporations Act**

A summary of Chapter 2E of the Corporations Act is outlined in section 3.2 above.

The issue of Options constitutes giving a financial benefit and Messrs Coughlan and Mooney are related parties of the Company by virtue of being a Directors.

The Directors other than Mr Keith Coughlan (who has a material personal interest in Resolution 5) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Options because the reasonable remuneration exception in Section 211 of the Corporations Act applies. The Directors other than Mr Grant Mooney (who has a material personal interest in Resolution 6) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Options because the reasonable remuneration exception in Section 211 of the Corporations Act applies.

#### **4.3 Information required by Listing Rule 10.13**

Listing Rule 10.13 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Options will be issued to Mr Keith Coughlan and Mr Grant Mooney (or their nominees).
- (b) The maximum number of Options to be granted under Resolution 5 to Keith Coughlan is 1,500,000 Options and under Resolution 6 to Grant Mooney is 1,000,000 Options.
- (c) The Company will issue the Options no later than one (1) month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) No funds will be raised by the grant of the Options as each Option is being granted for nil consideration.
- (e) The full terms and conditions of the Options are set out in Schedule 1.
- (f) The Chairman will cast all available proxies in favour of Resolutions 5 and 6.

#### **4.4 Directors Recommendation**

Mr Coughlan has an interest in Resolution 5 and therefore declines to make a recommendation in relation to Resolution 5. The other Directors each recommend the issue of the 1,500,000 Options to Mr Coughlan as it aligns the interests of the Company and Mr Coughlan to maximise Shareholder value. Mr Mooney has an interest in Resolution 6 and therefore declines to make a recommendation in relation to Resolution 6. The other Directors each recommend the issue of the 1,000,000 Options to Mr Mooney as it aligns the interests of the Company and Mr Mooney to maximise Shareholder value.

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## GLOSSARY

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**\$** means Australian dollars.

**ASX** means ASX Limited.

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

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

**Chair** means the chair of the Meeting.

**Closely Related** means a spouse or child of a member or has the meaning given in section 9 of the Corporations Act

**Company** means Talga Resources Limited (ACN 138 405 419).

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

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

**Eligible Employees** means Senior Managers and/or Directors selected by the Management Incentive Plan Committee.

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

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Key Management Personnel** means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

**Loan** means the limited recourse, interest free loan to be provided to Mr Mark Thompson pursuant to the Management Incentive Plan for the purpose of subscribing for 4,000,000 Shares on the terms and conditions set out in the Explanatory Memorandum.

**Management Incentive Plan** means the Talga Resources Incentive Equity Plan.

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

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

**Optionholder** means the holder of an Option.

**Proxy Form** means the proxy form accompanying the Notice.

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

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

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

**WST** means Australian Western Standard Time.

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## SCHEDULE 1 – NON-EXECUTIVE DIRECTOR OPTION TERMS

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### Talga Resources Limited Terms and Conditions of Options issued to the Non-Executive Directors

The terms and conditions of the Options are as follows:

- a) Each Option shall confer the right to subscribe for one fully paid ordinary Share, ranking pari passu with existing issued fully paid ordinary Shares, in the capital of the Company.
- b) Each Option is exercisable at not less than 145% of the market price of the Company's shares on the day of issue of the Option, as applicable.
- c) Each Option will expire on the date that is 5 years following the date of issue ("**Expiry Date**").
- d) The Options shall be exercisable by notice in writing to the Company received at any time on or before the Expiry Date, however the fully paid ordinary Shares will be issued not more than fifteen days after (but not including) the exercise date.
- e) The Options may be exercised in whole or in part. If the Options are exercised in part each notice of exercise must be for not less than 1,000 Shares and in multiples of 1,000 Shares.
- f) The Options may be transferred at any time in whole or part.
- g) The Options shall survive the death of the recipient.
- h) A statement will be issued for the Options. On the reverse side of the statement there will be endorsed a statement of the rights of the Option holder and a notice that is to be completed when exercising the Options. If there is more than one Option comprised in the statement and prior to the Expiry Date those Options are exercised in part, the Company will issue another statement for the balance of the Options held and not yet exercised.
- i) The Option holder will not be permitted to participate in any new pro rata entitlement issues of securities of the Company, unless the Options are first exercised. However, the Company must ensure that for the purposes of determining entitlements to any such issue, the Option holder will be notified of the proposed issue at least 4 business days (as defined in the Listing Rules) before the record date. This will give the Option holder the opportunity to exercise his Options prior to the date for determining entitlements to participate in any such issue.
- j) An Option will not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- k) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules.
- l) The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options.
- m) The Options shall not be quoted on ASX.

**PROXY FORM**

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**REGISTERED OFFICE:**  
SUITE 3  
LEVEL 1  
2 RICHARDSON STREET  
WEST PERTH WA 6005

**TALGA RESOURCES LTD**

ACN: 138 405 419

**SHARE REGISTRY:**  
Security Transfer Registrars Pty Ltd  
**All Correspondence to:**  
PO BOX 535,  
APPLECROSS WA 6953 AUSTRALIA  
770 Canning Highway,  
APPLECROSS WA 6153 AUSTRALIA  
T: +61 8 9315 2333 F: +61 8 9315 2233  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

Code:

Holder Number:

**SECTION A: Appointment of Proxy**

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

OR

**The meeting Chairperson**  
(mark with an "X")

**The name of the person you are appointing**

(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10.00am (WST) on Monday, 23 June 2014 at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia and at any adjournment of that meeting.

**SECTION B: Voting Directions to your Proxy**

Please mark "X" in the box to indicate your voting directions to your Proxy.

**Resolution**

**For Against Abstain\***

1. Ratification of Prior Issue - 160,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ratification of Prior Issue - 100,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of Prior Issue - 20,000,000 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Issue of Shares to Mark Thompson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Issue of Options to Keith Coughlan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Issue of Options to Grant Mooney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.**

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

**Important for Resolutions 4 to 6**

If you have not directed your proxy how to vote as your proxy in respect of Resolutions 4 to 6 and the Chair is, or may by default be, appointed your proxy, you must mark the box below.

I/we direct the Chair to vote in accordance with his/her voting intentions (as set out above) on Resolutions 4 to 6 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 4 to 6 and that votes cast by the Chair for Resolutions 4 to 6, other than as proxy holder, will be disregarded because of that interest].

If the Chair is, or may by default be, appointed your proxy and you do not mark this box and you have not directed the Chair how to vote, the Chair will not cast your votes on Resolutions 4 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 4 to 6.

**SECTION C: Please Sign Below**

**This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Security Holder

Sole Director and Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director / Company Secretary

**7071090442**

Reference Number:

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TLG

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