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

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**TIME:** 10.00 am (WST)

**DATE:** Thursday, 27 November 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, Lisa Wynne on (+61 8) 9481 6667.***

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## **IMPORTANT INFORMATION**

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

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Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on Thursday, 27 November 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 Annual General 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 (WST) on 25 November 2014.

### **VOTING IN PERSON**

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

### **VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by 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.
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### ***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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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders will be held at 10.00am (WST) on Thursday, 27 November 2014 at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia.

The Explanatory Statement 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 at 10.00am (WST) on Tuesday, 25 November 2014.

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

### AGENDA

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#### ORDINARY BUSINESS

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##### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial period from 1 July 2013 to 30 June 2014 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

##### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report, as contained in the Company’s annual financial report for the financial year ended 30 June 2014.”*

**Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.**

#### **Voting Prohibition Statement:**

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **Voter**) may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Voter is the Chair and the appointment of the Chair as proxy:
  - (i) does not specify the way the proxy is to vote on this Resolution; and

- (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

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### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR KEITH COUGHLAN

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

*“That, for the purpose of Clause 12.11 of the Constitution and for all other purposes, Mr Keith Coughlan, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

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### 4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR GRANT MOONEY

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

*“That, for the purpose of Clause 12.17 of the Constitution and for all other purposes, Mr Grant Mooney, is elected as a Director on the terms and conditions in the Explanatory Memorandum.”*

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### 5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SECURITIES

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

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,000,000 Shares and 2,500,000 Options on the terms and conditions set out 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 Chair 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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### 6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

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

*“That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed 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 Chair 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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**7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS**

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

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 3,000,000 Options on the terms and conditions set out the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by EAS Advisors LLC 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 Chair 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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**8. RESOLUTION 7 – ADOPTION OF NEW CONSTITUTION**

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

*“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its current Constitution and adopt a new constitution in its place in the form as signed by the Chair for identification purposes.”*

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**DATED: 24 OCTOBER 2014**  
**BY ORDER OF THE BOARD**

**LISA WYNNE**  
**COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10.00am (WST) on Thursday, 27 November 2014 at The Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia.

The Explanatory Statement forms part of the Notice which should be read in its entirety. The Explanatory Statement contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Statement provides the following information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions contained within the Notice of Meeting:

Section 1:	Financial Statements and Reports
Section 2:	Resolution 1 – Adoption of Remuneration Report
Section 3:	Resolution 2 – Re-election of Director – Mr Keith Coughlan
Section 4:	Resolution 3 – Election of Director – Mr Grant Mooney
Section 5:	Resolution 4 – Ratification of Prior Issue of Placement Securities
Section 6:	Resolution 5 - Approval for 10% Placement Capacity
Section 7:	Resolution 6 – Ratification of Prior Issue of Options
Section 8:	Resolution 7 – Adoption of new Constitution

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### 1. FINANCIAL STATEMENTS AND REPORTS – AGENDA ITEM

In accordance with the Constitution and section 317 of the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period from 1 July 2013 to 30 June 2014 together with the Directors' declaration, the Directors' report, the Remuneration Report and the auditor's Report.

There is no requirement for Shareholders to approve the Company's annual financial report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Company's annual financial report which is available on its website at [www.talgaresources.com](http://www.talgaresources.com) or on the ASX Platform for "TLG" [www.asx.com.au](http://www.asx.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the auditor's report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the auditor's report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so.

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

### **2.1 General**

Section 250R of the Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and Key Management Personnel of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2014.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

### **2.2 Voting consequences**

Under changes to the Corporations Act that came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of Shareholders vote in favour of the Spill Resolution, the company must convene the general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the Company who were in office when the directors' report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

## 2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting. If at least 25% of the votes are cast against the Remuneration Report at this Meeting, Shareholders should be aware that if the same occurs at the 2015 annual general meeting, this may result in the re-election of the Board.

## 2.4 Proxy Restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

Proxy	Directed	Undirected
Key Management Personnel <sup>1</sup>	Voted	Not voted <sup>3</sup>
Chair <sup>2</sup>	Voted	Voted at discretion of Proxy <sup>4</sup>
Other	Voted	Voted at discretion of Proxy

Notes:

<sup>1</sup> Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member.

<sup>2</sup> Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of such a member).

<sup>3</sup> Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

<sup>4</sup> The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

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## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR KEITH COUGHLAN

Clause 12.11 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third, shall retire from office, provided always that no Director (except a managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

Clause 12.12 of the Constitution provides that the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under Clause 12.11 of the Constitution is eligible for re-election under Clause 12.13.

Mr Keith Coughlan was appointed as Director on 27 September 2013. Accordingly, Mr Coughlan retires by rotation and seeks re-election.

The Board (except Mr Coughlan) supports Mr Coughlan's re-election and recommend that Shareholders vote in favour of Resolution 2.

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#### **4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR GRANT MOONEY**

Clause 12.16 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr Mooney was appointed as Director on 20 February 2014. Mr Mooney retires in accordance with Clause 12.17 of the Constitution and being eligible seeks re-election.

The Board (except Mr Mooney) recommends that Shareholders vote in favour of Resolution 3.

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#### **5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SECURITIES**

##### **5.1 General Background**

As announced on 21 May 2014, the Company received commitments to raise \$1 million through the issue of 5 million Shares at a price of \$0.20 per Share together with 1 free attaching Option for every 2 new Shares applied for and issued, exercisable at \$0.35 and expiring 30 November 2015. **(Placement)**.

On 30 June 2014 it was announced that the Company issued the 5 million Shares and 2.5 million free attaching Options under the Placement at a share issue price of \$0.20 to sophisticated and professional investors to raise \$1 million **(Placement Securities)**.

The Placement Securities were issued pursuant to ASX Listing Rule 7.1. Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Placement Securities issued under ASX Listing Rules 7.1.

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 the issue of the Placement Securities under the Placement, the subject of Resolution 4, 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 without the requirement to obtain prior Shareholder approval.

##### **5.2 Technical information required by ASX Listing Rule 7.5 for Resolution 4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the ratification the subject of Resolution 4:

- (a) a total of 5,000,000 Shares and 2,500,00 Options were issued on 30 June 2014;

- (b) the Shares were issued at an issue price of \$0.20 per Share and the Options were issued at an issue price of nil as they were issued free attaching with the Shares on a 1 for 2 basis;
- (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) the Options were issued on the terms and conditions set out in Schedule 1;
- (e) the Shares and Options were issued to sophisticated and professional investors. None of the subscribers were related parties of the Company; and
- (f) the funds raised from this issue were used to fund the Company's scoping study and will be used accelerate development work on the Company's high grade graphite projects in Sweden, to fund a trial mining program and pilot plant and for general working capital.

### **5.3 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 4, as it allows the Company to ratify the above issue of Shares 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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## **6. RESOLUTION 5 – APPROVAL FOR 10% PLACEMENT CAPACITY**

### **6.1 General**

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 5, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in Section 6.2 below).

The effect of Resolution 5 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

Resolution 5 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

### **6.2 ASX Listing Rule 7.1A**

- (a) **Shareholder approval**

ASX Listing Rule 7.1A enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

(b) **Eligible Entity**

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

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

The Company is an Eligible Entity as it is not included in the A&P/ASX 300 Index and has a current market capitalisation of \$51,082,752 based on the ASX closing price on 22 October 2014.

(c) **Equity Securities**

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of the Notice, the Company has two quoted classes of Equity Securities on issue, being the Shares (ASX Code: TLG) and the Options (ASX Code: TLGO).

(d) **Formula for calculating 10% Placement Capacity**

The exact number of Equity Securities that the Company may issue under an approval under ASX Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
  - (A) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rule 7.1 or 7.4. This does not include an issue of Shares under the Company's 15% placement capacity without Shareholder approval; and
  - (D) less the number of Shares cancelled in the previous 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating the Company's 15% placement capacity.

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### **6.3 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 5:

**(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

**(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking)(after which date, an approval under Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

**(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below. The table below shows the dilution of existing Shareholders calculated in accordance with the

formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A.2)	Issue Price (per Share)	Dilution		
		\$0.20 (50% decrease in current issue price)	\$0.40 (Current issue price)	\$0.60 (50% increase in current issue price)
124,582,079  (Current Variable A)	Shares issued - 10% voting dilution	12,459,208	12,459,208	12,459,208
	Funds raised	\$2,554,138	\$5,108,275	\$7,662,413
186,873,119  (50% increase in Variable A)*	Shares issued - 10% voting dilution	18,688,812	18,688,812	18,688,812
	Funds raised	\$3,831,206	\$7,662,413	\$11,493,619
249,164,158  (100% increase in Variable A)*	Shares issued - 10% voting dilution	24,918,416	24,918,416	24,918,416
	Funds raised	\$5,108,275	\$10,216,550	\$15,324,826

\*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 124,592,079 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 22 October 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has issued 8,000,000 Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) for cash consideration in which case the Company intends to use funds raised for further development work on the Company's high grade graphite and graphene projects in Sweden, for exploration of the Company's projects and for general working capital; or
- (ii) for non-cash consideration for further development work on the Company's high grade graphite and graphene projects in Sweden, for exploration of the Company's projects and for general working capital, in such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities

(e) **Allocation under the 10% Placement Capacity**

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;

- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained Shareholder approval under ASX Listing Rule 7.1A at its 2013 annual general meeting held on 21 November 2013 (**Previous Approval**).

The Company has issued 8,480,009 Shares pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 27 November 2013, the Company issued a further 31,051,981 Shares, 7,752,963 listed Options and 7,100,000 unlisted Options (including Shares and Options the subject of Resolutions 4 and 6) which represents approximately 42% of the total diluted number of Equity Securities on issue in the Company on 27 November 2013, which was 88,810,089.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out below:

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
21/03/2014	20,000,000	Ordinary <sup>2</sup>	Sophisticated & Professional Investors	\$0.085 per ordinary share (discount of 32.7%)	<p><b>Form:</b> Cash</p> <p><b>Amount spent:</b> \$1,700,000</p> <p><b>Use:</b> Completion of metallurgical and other tests and scoping study of Nunasvaara graphite project.</p>
23/06/2014	4,000,000	Ordinary <sup>2</sup>	Mark Thompson	Nil	<p><b>Form:</b> Non-cash</p> <p><b>Consideration:</b> Performance based remuneration for services provided</p>

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
					to the Company.  <b>Current Value<sup>7</sup></b> = \$1,156,734
23/06/2014	1,500,000	Unlisted Options <sup>3</sup>	Keith Coughlan	Nil	<b>Form:</b> Non-cash  <b>Consideration:</b> Performance based remuneration for services provided to the Company.  <b>Current Value<sup>7</sup></b> = \$395,315
23/06/2014	1,000,000	Unlisted Options <sup>3</sup>	Grant Mooney	Nil	<b>Form:</b> Non-cash  <b>Consideration:</b> Performance based remuneration for services provided to the Company.  <b>Current Value<sup>7</sup></b> = \$263,543
26/06/2014	8,564,066  4,281,992	Ordinary <sup>2</sup>  Free attaching Listed Options <sup>4</sup> on the basis of 1:2.	Shareholders who took up their rights	\$0.20 per ordinary share (discount of 51%)	<b>Form:</b> Cash  <b>Amount spent:</b> Nil  <b>Amount remaining:</b> \$1,712,813.20  <b>Proposed Use<sup>5</sup>:</b> Intended to be used to accelerate development work on the Company's high grade graphite projects in Sweden and to fund trial mining program and pilot plant and for

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
					general working capital.
30/06/2014	1,941,942  970,971	Ordinary <sup>2</sup>  Free attaching Listed Options <sup>4</sup> on the basis of 1:2.	Sophisticated & Professional Investors under the shortfall of the Rights Issue	\$0.20 per ordinary share (discount of 49%)	<p><b>Form:</b> Cash</p> <p><b>Amount spent:</b> Nil</p> <p><b>Amount remaining:</b> \$388,388.40</p> <p><b>Proposed Use<sup>5</sup>:</b> The funds raised are intended to be used to accelerate development work on the Company's high grade graphite projects in Sweden, to fund a trial mining program and pilot plant and for general working capital.</p>
30/06/2014	5,000,000  2,500,000	Ordinary <sup>2</sup>  Free attaching Listed Options <sup>4</sup> on the basis of 1:2.	Sophisticated & Professional Investors	\$0.20 per ordinary share (discount of 49%)	<p><b>Form:</b> Cash</p> <p><b>Amount spent:</b> Nil</p> <p><b>Amount remaining:</b> \$1,000,000</p> <p><b>Proposed Use<sup>5</sup>:</b> The funds raised are intended to be used to accelerate development work on the Company's high grade graphite projects in Sweden, to fund a trial mining program and pilot plant and for</p>

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
					general working capital.
25/07/2014	312	Ordinary <sup>2</sup>	Option holder	Exercise of Listed Options (\$0.35, expiring 2 October 2016) (discount of 20%)	<b>From:</b> Cash <b>Amount spent:</b> Nil <b>Amount remaining:</b> \$109.20
15/08/2014	15,000	Ordinary <sup>2</sup>	Option holder	Exercise of Listed Options (\$0.35, expiring 2 October 2016) (discount of 1%)	<b>From:</b> Cash <b>Amount spent:</b> Nil <b>Amount remaining:</b> \$5,250.00
20/08/2014	1,600,000	Unlisted Options <sup>8</sup>	Personnel of the Company	Nil	<b>Form:</b> Non-cash <b>Consideration:</b> Performance based remuneration for services provided to the Company. <b>Current Value<sup>8</sup> =</b> \$427,871
22/09/2014	670	Ordinary <sup>2</sup>	Option holder	Exercise of Listed Options (\$0.35, expiring 2 October 2016) (discount of 22%)	<b>From:</b> Cash <b>Amount spent:</b> Nil <b>Amount remaining:</b> \$234.50
15/10/2014	10,000	Ordinary <sup>2</sup>	Option holder	Exercise of Listed Options (\$0.35, expiring 2 October 2016) (discount of 1%)	<b>From:</b> Cash <b>Amount spent:</b> Nil <b>Amount remaining:</b> \$3,500.00
21/10/2014	3,000,000	Unlisted Options <sup>8</sup>	Consultants of the Company	Nil	<b>Form:</b> Non-cash <b>Consideration:</b> Performance

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
					based remuneration for services provided to the Company.  <b>Current Value<sup>9</sup> = \$512,651</b>

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the closing Market Price on the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: TLG (terms are set out in the Constitution).
3. Unlisted Options are exercisable at \$0.54 each on or before 23 June 2019.
4. The Listed Options are exercisable at \$0.35 each on or before 30 November 2015.
5. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
6. In respect of quoted Equity Securities the value is based on the closing price of the Shares \$0.20 as the context requires on the ASX on the trading day prior to the date of this Notice.
7. In respect of the 4 million Shares and 2.5 million Options issued to Directors the valuation was prepared internally and based on the Black-Scholes methodology.
8. Unlisted Options are exercisable at \$0.54 each on or before 20 August 2019, the valuation was prepared internally and based on the Black-Scholes methodology.
9. Unlisted Options are exercisable on or before 31 December 2016 as follows (1,000,000 at \$0.52; 1,000,000 at \$0.60 and 1,000,000 at \$0.65), the valuation was prepared internally and based on the Black-Scholes methodology.

**(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

**6.4 Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

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## **7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO CONSULTANT**

### **7.1 General Background**

As announced on 21 October 2014, the Company engaged EAS Advisors LLC ("EAS") in the capacity of corporate adviser to the Company. As part of the remuneration for advisory services, Talga granted EAS 3 million unlisted options in the Company on the following terms (the full terms and conditions are outlined in Schedule 2 to this Explanatory Statement):

- 1 million options exercisable at \$0.52, expiring 31 December 2016
- 1 million options exercisable at \$0.60, expiring 31 December 2016
- 1 million options exercisable at \$0.65, expiring 31 December 2016

Together ("**Consultant Options**").

The Options were issued pursuant to ASX Listing Rule 7.1. Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Placement Securities issued under ASX Listing Rules 7.1.

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 the issue of the Placement Securities under the Placement, the subject of Resolution 6, 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 without the requirement to obtain prior Shareholder approval.

### **7.2 Technical information required by ASX Listing Rule 7.5 for Resolution 6**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the ratification the subject of Resolution 4:

- (a) a total of 3,000,000 Options were issued on 21 October 2014;
- (b) the Options were issued for nil consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 2;
- (d) the Options were issued to EAS Advisors LLC who are not related parties of the Company; and
- (e) No funds were raised from this issue.

### **7.3 Directors' recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 6, as it allows the Company to ratify the above issue of Shares 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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## 8. RESOLUTION 7 – ADOPTION OF NEW CONSTITUTION

### 8.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 7 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**).

The Company's current Constitution was adopted in 2010. Since then, there have been a number of changes to the Corporations Act and the ASX Listing Rules. There have also been significant developments in corporate governance principles and general corporate and commercial practice for ASX listed entities. As a result the Board proposes that the Company adopt Proposed Constitution which reflects these changes to the legislation and current market practice.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating the name of the Company to that adopted in October 2011;
- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9481 6667). Shareholders are invited to contact the Company if they have any queries or concerns.

A copy of the proposed Constitution is available for Shareholders to review and will be available at the Annual General Meeting. It will be marked by the Chair at the Annual General Meeting in order to identify it as the Constitution approved by Shareholders.

### 8.2 Summary of material proposed changes

Subject	Summary of amendment	Old Clause	New Article
Preference Share rights	The existing Constitution empowers the Company to issue preference Shares but does not include details of the rights that attach to those preference Shares. The Proposed Constitution sets out the specific rights	2.2	2.2

Subject	Summary of amendment	Old Clause	New Article
	<p>attaching to any preference Shares that may be issued by the Company, stating that they will confer on the holder rights including:</p> <ul style="list-style-type: none"> <li>(a) priority for payment of dividends in relation to other Share classes;</li> <li>(b) priority for payment of capital and dividends in relation to other Shares classes in a winding up;</li> <li>(c) limited voting rights compared to ordinary Shares; and</li> <li>(d) redemption and conversion.</li> </ul> <p>The Company does not currently have any preference Shares on issue.</p>		
Dividends	<p>The Proposed Constitution includes a number of changes to broaden the methods by which the Company may pay dividends to Shareholders. Most of these changes have been made to reflect recent amendments to the Corporations Act which mean companies are no longer restricted paying dividends out of profits (the existing Constitution still contains this restriction).</p> <p>Given that there may be future amendments to the Corporations Act regulating when a company may pay a dividend, the wording in the Proposed Constitution gives the Board the flexibility to determine that the Company pay a dividend provided that such determination complies with the Corporations Act.</p> <p>The Proposed Constitution provides that Directors may declare or determine that a dividend is payable and fix the amount, time and method of payment. The existing Constitution only provides for a declaration of a dividend. This amendment reflects changes to the Corporations Act which now allows for dividends to be determined or declared.</p> <p>The Proposed Constitution also expands the rule in the existing Constitution that the Directors have the ability to resolve that a dividend will be paid by the transfer of specific assets, including shares in another body corporate. Where the Company pays a dividend by a transfer of shares in another corporation, the Proposed Constitution says that Shareholders will be taken to have agreed to become members of that corporation.</p> <p>Under the Proposed Constitution, the Directors may establish a dividend selection plan, dividend reinvestment plan or bonus share plan on any terms. The existing Constitution did not allow for any such plans.</p>	20	10
Proportional takeover bids	<p>The proportional takeover provisions in the existing Constitution have now lapsed in accordance with section 648G(3) of the Corporations Act as they have not been reviewed by Shareholders in the last 3 years.</p>	8.12 - 8.18	4.5(e)

Subject	Summary of amendment	Old Clause	New Article
	Proportional takeover provisions are included in the Proposed Constitution. The information required to be disclosed to Shareholders under section 648G(5) about the proportional takeover provisions has been included in Section [7.3].		
Registration fee for off market transfers	<p>The existing Constitution provides that a document of transfer of shares must be accompanied by evidence that any fee payable on registration of the transfer has been paid.</p> <p>On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to as "off-market transfers".</p> <p>The Proposed Constitution expressly enables the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. [The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.]</p>	8.4.2	4.6
Meetings of Members	The Proposed Constitution codifies the Corporations Act requirements by providing that a general meeting may be held at two or more venues simultaneously using any technology that gives the members as a whole a reasonable opportunity to participate. The existing Constitution is silent on the use of technology for these purposes.	N/A	5.5
Appointment of proxies	The Proposed Constitution provides for the chairperson to determine the validity of an instrument appointing a proxy, attorney or representative, and that an instrument appointing a proxy may be valid even if it only contains some of the information required.	N/A	5.14(e)-(f)

### 8.3 Proportional takeover bid provisions (new Article 4.5(e) and Schedule 5)

#### (a) Background

Under the Corporations Act, a company may include provisions in its constitution to enable it to refuse to register shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by shareholders.

The existing Constitution contains clauses 8.12-8.18 which deal with proportional takeovers. A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

It is a requirement of the Corporations Act that these provisions in a company's constitution apply for a maximum period of three years, unless renewed earlier. In the case of the Company, the provisions relating to proportional takeover bids were last approved by

Shareholders at the 30 November 2010 annual general meeting and ceased to have effect from 30 November 2013, in accordance with the terms of the Constitution and the Corporations Act.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This Article of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the Article.

(b) Information required by section 648G of the Corporations Act

*Effect of proposed proportional takeover provisions*

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

*Reasons for proportional takeover provisions*

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

*Knowledge of any acquisition proposals*

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

*Potential advantages and disadvantages of proportional takeover provisions*

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;

- (ii) assisting in preventing Shareholders from being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (i) proportional takeover bids may be discouraged;
- (ii) lost opportunity to sell a portion of their Shares at a premium; and
- (iii) the likelihood of a proportional takeover bid succeeding may be reduced.

#### **8.4 Recommendation of the Board**

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 7.

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## **9. ENQUIRIES**

Shareholders are requested to contact the Company Secretary, Lisa Wynne, on (+61 8) 9481 6667 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**10% Placement Capacity** has the meaning given in section 6.1 of this Notice.

**\$** means Australian dollars.

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

**Article** means an article of the Proposed Constitution.

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

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**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.

**Chair** means the person appointed to chair the Meeting.

**Clause** means a clause of the Constitution.

**Closely Related Party** of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth).

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

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

**Consultant Options** means those issued to EAS, the subject of Resolution 6.

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

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

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and

(c) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

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

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those 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) of the Company.

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

**Option** means an option which entitles the holder to subscribe for one Share.

**Placement** has the meaning given in Section 5.1.

**Placement Securities** has the meaning given in Section 5.1.

**Proposed Constitution** has the meaning given in Section 8.1.

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

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2014.

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

**Section** means a section of the Explanatory Statement.

**Securities** means a Share and a Unit Stapled and traded together in accordance with the constitution of the Company and Trust (as amended from time to time).

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

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

**Spill Meeting** has the meaning given in Section 2.2.

**Spill Resolution** has the meaning given in Section 2.2.

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

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## SCHEDULE 1 – TERMS AND CONDITIONS OF LISTED OPTIONS

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- (a) Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- (b) Subject to paragraph (j) the amount payable upon exercise of each Option will be \$0.35 (**Exercise Price**).
- (c) Each Option will expire at 5:00pm WST on 30 November 2015 (**Expiry Date**). A Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- (e) The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- (f) A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- (g) Within 15 Business Days after the later of the following:
  - (i) the Exercise Date; and
  - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,but in any case no later than 20 Business Days after the Exercise Date, the Company will:
  - (iii) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
  - (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
  - (v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.If a notice delivered under paragraph 9(f)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- (h) Shares issued on exercise of the Options rank equally with the then issued shares of the Company.
- (i) If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

- (j) 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.
- (k) There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (l) An Option does 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.
- (m) The Options are quoted on ASX.
- (n) The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF CONSULTANT OPTIONS

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- 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) 1,000,000 Options are exercisable at fifty two cents each (\$0.52);  
1,000,000 Options are exercisable at sixty cents each (\$0.60); and  
1,000,000 Options are exercisable at sixty five cents each (\$0.65)
- c) Each Option will expire on the date that is 31 December 2016 ("**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 are not transferable.
- 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.