
TALGA RESOURCES LIMITED

ACN 138 405 419

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00 am (WST)

DATE: Thursday, 21st November 2013

PLACE: K&L Gates, Level 32, 44 St Georges Terrace
Perth WA 6000

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, Jeremy McManus, on (+61 8) 9481 6667.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on Thursday 21 November 2013 at:

K&L Gates, Level 32, 44 St Georges Terrace Perth Western Australia

YOUR VOTE IS IMPORTANT

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

VOTING ELIGIBILITY

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 5pm WST on Tuesday, 19 November 2013.

VOTING IN PERSON

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

VOTING BY PROXY

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.

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 Annual General 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 are 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.

BUSINESS OF THE MEETING

AGENDA

ORDINARY BUSINESS

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013, 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 2013."

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

Voting Prohibition Statement:

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**) described above 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:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) 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.

3. RESOLUTION 2 – ELECTION OF MR PIERS LEWIS AS A DIRECTOR

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

"That the purpose of clauses 12.7 and 12.11 of the Constitution and all other purposes, Mr Piers Lewis is elected as a Director on the terms and conditions in the Explanatory Memorandum."

4. RESOLUTION 3 – ELECTION OF MR KEITH COUGHLAN AS A DIRECTOR

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

"That in accordance with Listing Rule 14.4 and for all other purposes, Mr Keith Coughlan is elected as a Director on the terms and conditions in the Explanatory Memorandum."

5. RESOLUTION 4 – RATIFICATION OF PREVIOUS ISSUE OF SHARES

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

"That, in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 8,295,661 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 any 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.*

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, 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 as 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 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.*

7. RESOLUTION 6 – RE-ADOPTION OF EMPLOYEE INCENTIVE SCHEME

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

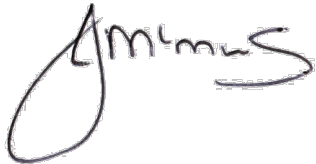
"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to re-adopt the employee incentive scheme titled Employee Incentive Scheme and for the issue of securities under that Scheme, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: *The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. 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.

DATED: 17 OCTOBER 2013

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'J McManus', with a large, stylized initial 'J'.

**JEREMY MCMANUS
COMPANY SECRETARY
TALGA RESOURCES LIMITED**

EXPLANATORY STATEMENT

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.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with section 317 of the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the Directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <http://talgaresources.com>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

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 senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

Under changes to the Corporations Act which came into effect on 1 July 2011, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of Directors of the Company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary 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 of the Company 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.

2.4 Proxy Restrictions

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

If you appoint a member of the Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote.*** Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

If you appoint the Chair as your proxy

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1. however if you do not direct the Chair how to vote, ***you must tick the acknowledgement on the proxy form to acknowledge that the Chair may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel.***

If you appoint any other person as your proxy

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the proxy form.

3. RESOLUTION 2 – ELECTION OF MR PIERS LEWIS AS A DIRECTOR

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 12.17.2 of the Constitution provides that a director appointed to fill a casual vacancy must not be taken into account in determining the Directors who are to retire by rotation.

The Company currently has 3 Directors, including a managing director and Mr Keith Coughlan who was appointed on 27 September 2013 to fill a casual vacancy. Accordingly, Mr Piers Lewis must retire for the purposes of clause 12.11 of the Constitution and being eligible, seeks re-election.

Resolution 2 therefore provides that Mr Piers Lewis retires from office by rotation and seeks re-election as a Director of the Company.

Mr Lewis has more than 15 years global corporate experience and is currently Company Secretary for several ASX listed companies. In 2001 Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth), and brings to the Board extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital.

In addition to his role with the Company, Mr Lewis is a Non-Executive Director of ASX listed Stratos Resources Ltd and Zeta Petroleum PLC.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

The Board (excluding Mr Piers Lewis) recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF MR KEITH COUGHLAN AS A DIRECTOR

In accordance with Listing Rule 14.4, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next Annual General Meeting of the entity.

Clause 12.16 of the Constitution allows the Directors to appoint a person to fill a casual vacancy at any time, providing that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Any Director so appointed holds office until the next general meeting of members of the Company and is eligible for re-election at that meeting.

Mr Keith Coughlan was appointed on 27 September 2013 to fill a casual vacancy. Resolution 3 therefore provides that he retires from office and seeks re-election as a Director of the Company.

Mr Coughlan has over 26 years' experience in stockbroking and funds management. He has been largely involved in the funding and promoting of resource companies listed on the ASX, AIM and TSX. He has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds management organisations. Mr Coughlan is a current executive director of Equamineral Holdings Limited (ASX:EQH).

Resolution 3 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

The Board (excluding Mr Keith Coughlan) recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – RATIFICATION OF PREVIOUS ISSUE OF SHARES

On 9 September 2013, the Company announced a capital raising initiative which included a placement of 8,295,661 ordinary fully paid shares at a price of 5 cents per Share to raise \$415,000. The capital raising initiative also included a non-renounceable rights issue to existing shareholders.

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue Equity Securities in any 12 month period which amount to more than 15% of the Company's ordinary securities on issue at the commencement of that period without Shareholder approval.

The exception to this rule contained in Listing Rule 7.4 provides that an issue made within the 15% limit will be treated as having been made with the approval of Shareholders under Listing Rule 7.1 if subsequently approved by Shareholders, thereby "refreshing" the Company's ability to issue Shares within the 15% limit, and restoring the Company's ability to make placements within that limit (if that is thought desirable) without the need for Shareholder approval. While the Shares described in this Resolution 4 were issued within the 15% limit, the Company seeks Shareholder ratification of the issue of those Shares for the purpose of Listing Rule 7.4, so that the Company's ability to issue securities will be "refreshed" and it will have flexibility to issue further securities should the need or opportunity arise.

In accordance with the requirements of Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess the issue of the Shares the subject of this Resolution:

- 8,295,661 Shares were issued to sophisticated investor clients of Patersons Securities Limited on 16 September 2013;
- the Shares were issued at a deemed issue price of \$0.05 each;
- the Shares issued are fully paid ordinary shares that rank equally in all respects with existing Shares;
- as Lead Manager to the placement, Patersons Securities Limited determined the sophisticated investor parties to whom the Shares were issued (none of the investors were related parties to the Company) ; and
- funds raised from the issue of these Shares will be applied to advance the Company's graphite projects in Sweden including preliminary economic assessments, to advance the Company's iron ore projects in Sweden for potential divestment, and for general working capital.

5.1 Voting Exclusion

A voting exclusion statement is included in this Notice. The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue of Shares under Resolution 4 and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

6. RESOLUTION 5 – APPROVAL OF 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 over a period of up to 12 months after the annual general meeting (**10% Placement Capacity**). An approval under Listing Rule 7.1A remains valid until the earlier of:

- (a) the date falling 12 months after the date on which the approval is granted; and

- (b) the date shareholders approve a transaction under Listing Rule 11.1.2 (for a significant change to the nature or scale of the Company's activities) or 11.2 (for a disposal of the Company's main undertaking).

The Company is an Eligible Entity.

If Shareholders approve Resolution 5, the number of Equity Securities the Eligible Entity 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 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

ASX Listing Rule 7.1A came into effect on 1 August 2012 and 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.

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.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$2.7 million.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of Equity Securities on issue, being the Shares.

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

$$(A \times B) - C$$

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 Listing Rules 7.1 and 7.4; and
- (d) less the number of Shares cancelled in the previous 12 months.

B is 10%.

C 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 (five) ASX trading days of the date in paragraph 6.3(a)(i), 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). **(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 Listing Rule 7.1A.2*	Dilution				
	Issue Price (per Share)	Dilutionary effect of issue of Shares under 10% Placement Capacity	\$0.026 (50% decrease in current issue price)	\$0.052 (Current issue price)	\$0.104 (100% increase in current issue price)
55,304,406 (Current variable A)	Shares issued	10%	5,530,441 Shares	5,530,441 Shares	5,530,441 Shares
	Funds Raised		\$143,791	\$287,583	\$575,166
82,956,609 (50% increase in current variable A)*	Shares issued	10%	8,295,661 Shares	8,295,661 Shares	8,295,661 Shares
	Funds Raised		\$215,687	\$431,374	\$862,749
110,608,812 (100% increase in current variable A)*	Shares issued	10%	11,060,881 Shares	11,060,881 Shares	11,060,881 Shares
	Funds Raised		\$287,583	\$575,166	\$1,150,332

*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 Listing Rule 7.1.

The table above uses the following assumptions:

1. 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 shown in each example is 10%. The table does not illustrate dilution of a particular Shareholder's interest by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
2. There are currently 63,600,067 Shares on issue, including 8,295,661 Shares which will be ratified if Resolution 4 of this Notice of Meeting is passed at the Meeting.
3. The issue price set out above is the closing price of the Shares on the ASX on 14 October 2012.
4. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
5. The Company has not issued any other 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.

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. No Options are exercised before the date of the issue of the Equity Securities

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) Date by which Equity Securities may be issued

The Company will only issue and allot the Equity Securities during the 10% Placement Capacity Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(e) Purpose of Issue under 10% Placement Capacity

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

- (i) as cash consideration in which case the Company intends to use the funds raised towards the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current Swedish assets and for general working capital; or
- (ii) as non-cash consideration for the acquisition of new resources assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

(f) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees 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 allottees 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).

(g) Previous Approval under ASX Listing Rule 7.1A

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its Annual General Meeting held on 15 November 2012. In the 12 months preceding the date of the 2013 Annual General Meeting, the Company has issued 10,295,660 Equity Securities and this represents 19.3% of the total number of Equity Securities on issue at the commencement of that 12 month period. None of these Equity Securities were issued under Listing Rule 7.1A. Details of each issue of Equity Securities by the Company during the 12 months preceding the date of the 2013 Annual General Meeting are set out in the table below:

Date of Issue	Number of Securities	Type of Security	Recipient of Security	Issue Price and details of any discount	Consideration & Use of Funds as at 28 September 2013
11/12/12	75,000	Ordinary Fully Paid Shares	Employee of the Company	Shares issued on exercise of 20 cent employee share options expiring on 16/12/12. The closing price of the Company's shares on 11/12/12 was 29.5 cents which implies that the above shares were issued at a circa 32% discount to the last traded price.	\$15,000 applied towards metallurgical testing on the Company's Swedish graphite samples from Nunasvaara. All consideration was spent.
18/12/12	1,025,000	Ordinary Fully Paid Shares	Employee of the Company	Shares issued on exercise of 20 cent employee share options expiring on 16/12/12. The closing price of the Company's shares on 18/12/12 was 30 cents which implies that the above shares were issued at a circa 50% discount to the last traded price.	\$205,000 used as payment towards the RC drilling costs associated with the Tambina project in Western Australia. All consideration was spent.
20/05/13	899,999	Ordinary Fully Paid Shares	Shareholders of the Company as at 10/04/13, being the record date for the shareholder purchase plan.	\$0.19 (17.4% discount to the last traded price before the trading halt on 8/04/13).	\$171,000 used to fund diamond drilling at the Swedish Raitajärvi project. All consideration was spent.
17/09/13	8,295,661	Ordinary Fully Paid Shares	Sophisticated investor clients of Patersons Securities Limited	\$0.05 (29.5% discount to last traded price before trading halt on 4/09/13).	\$414,783 applied towards drilling and assaying costs associated with the Swedish Raitajärvi programs. All consideration was spent.

(h) 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 allottees of the Equity Securities and the number of Equity Securities allotted 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.

7. RESOLUTION 6 – RE-ADOPTION OF EMPLOYEE INCENTIVE SCHEME

7.1 General

Resolution 6 seeks Shareholder approval to re-adopt the employee incentive scheme titled Employee Incentive Scheme (**Scheme**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 is set out in section 6 above.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Options under the Scheme to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Since the Scheme was last approved (within the initial public offering prospectus provided to the ASX on 25 May 2010) the Company has issued 4,850,000 Options.

The objective of the Scheme is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Scheme and the future issue of Options under the Scheme will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Scheme to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A copy of the Scheme is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Scheme can also be sent to Shareholders upon request to the Company Secretary (Jeremy McManus). Shareholders are invited to contact the Company if they have any queries or concerns. The full terms and conditions are set out in Schedule 1.

8. ENQUIRIES

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

GLOSSARY

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

10% Placement Capacity Period has the meaning given in section 5.3 of this Notice.

\$ means Australian dollars.

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

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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.

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
- (b) 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 to acquire a Share.

Optionholder means the holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Directors' report section of the Company's annual financial report for the year ended 30 June 2012.

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

Scheme means the Employee Incentive Scheme set out in Schedule 1.

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 of this Notice.

Spill Resolution has the meaning given in section 2.2 of this Notice.

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

VWAP means the volume weighted average price.

SCHEDULE 1 – TERMS AND CONDITIONS OF EMPLOYEE INCENTIVE SCHEME

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these Terms and Conditions, the following words and expressions have the meanings indicated unless the contrary intention appears:

“Associate” of an Employee means:

- a) a spouse, parent, brother, sister or child of the Employee (“Relative”);
- b) a body corporate that is effectively controlled by one or more of the Employee and the Relatives of the Employee; or
- c) the trustee of a trust that is effectively controlled by one or more of the Employee and the Relatives of the Employee.

“ASX” means Australian Stock Exchange Limited.

“Board” means all or some of the Directors acting as a board.

“Company” means Talga Resources Ltd.

“Director” means a director of the Company.

“Employee” means:

- a) a full-time or part-time employee of a company in the Group;
- b) a director or company secretary of the company in the Group; or
- c) a consultant of the company and a person, by whatever name called and whether or not a director, whom the Board determines is concerned, or takes part, in the management of a company in the Group.

“Group” means the Company and its subsidiaries (as defined in the Corporations Act 2001).

“Listing Rules” means the Official Listing Rules of ASX.

“Market Value” of a Share means:

- a) unless (b) applies – the market value determined under the Income Tax Assessment Act;1936 and Income Tax Assessment Regulations 1997 or
- b) if the Board adopts another method for determining the market value – the value determined under that method.

“Option” means an option to subscribe for Shares issued under the Scheme.

“Participant” means:

- a) an Employee who personally holds an Option issued under the Scheme; or

- b) an Employee whose nominated Associate holds an Option issued under the Scheme.

“Redundancy” means any situation where the requirements of the relevant company in the Group for an Employee to carry out a particular kind of work (given his or her particular skills) or to carry out certain work in a particular place, have ceased or diminished (or are likely to do so), but does not extend to the dismissal of an Employee for personal or disciplinary reasons, including for reasons of misconduct or unsatisfactory performance, or where an Employee leaves of his or her own accord.

“Retirement” means retirement by the Participant from employment with the Group at age 55 or over.

“Scheme” means the Talga Resources Employee Incentive Scheme constituted by these Terms and Conditions.

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

“Total and Permanent Disablement” means that the Participant has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Participant unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience.

- 1.2 Words imparting the singular include the plural and vice versa and words denoting a gender include all other genders.

2. ISSUE OF OPTIONS

Eligibility

- 2.1 The Board may offer Options to an Employee having regard to:

- a) the potential contribution of the Employee to the Group; and
- b) any other matters the Board considers relevant.

Nomination of Associate

- 2.2 Upon receipt of an offer of Options an Employee may nominate an Associate to be the person issued with those Options. The Board may, in its absolute discretion, resolve not to issue Options to a nominated Associate without giving any reason.

Acceptance of offers

- 2.3 An Employee or nominated Associate may accept an offer of Options within the time specified in the offer document. No payment is required to accept the offer.

Issue of Options

- 2.4 Options must be issued in accordance with these Terms and Conditions and each Participant and, where relevant, Associate will be taken to have agreed to be bound by these Terms and Conditions on the issue of any Options.

- 2.5 The Company must issue each Participant or nominated Associate with an Option certificate indicating the number of Options issued and the exercise price of the Options.
- 2.6 The Board retains the right to withdraw an offer of Options at any time prior to acceptance of the Offer by the Employee.

3. MAXIMUM NUMBER OF OPTIONS

The Board may not offer Options under this Scheme if the total number of Shares the subject of the Options, when aggregated with:

- a) the number of Shares in the same class which would be issued if each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to this Scheme or any other employee or executive share scheme, was accepted or exercised; and
- b) the number of Shares in the same class issued during the previous five years pursuant to this or any other employer or executive share scheme,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or by way of excluded offer or invitation within the meaning of the Corporations Act 2001), would exceed 5% of the total number of issued Shares of the Company as at the time of the proposed offer.

4. ENTITLEMENT

4.1 Subject to clauses 8 and 9, each Option entitles the holder to subscribe for and be allotted, credited as fully paid, one Share at the exercise price per Share.

4.2 The exercise price per Share is:

- a) 125% of the Market Value of Shares on the day the Option is issued;
- b) 20 cents; or
- c) any greater exercise price determined by the Board and advised to the Employee when Options are offered to the Employee,

whichever is the greatest.

4.3 Subject to these Terms and Conditions, the Company must allot shares on exercise of an Option in accordance with the Listing Rules.

4.4 Shares issued on the exercise of Options will rank equally with all existing Shares in the capital of the Company from the date of issue.

5. EXERCISE OF OPTIONS

5.1 An Option is exercisable by the holder lodging a notice of exercise of Option and application for Shares in a form approved by the Company, together with the

exercise price of each Share to be issued on exercise and the relevant Option certificate, with the Company Secretary.

5.2 Options must be exercised in multiples of 100, unless the holder exercises all Options able to be exercised at that time. The exercise of some Options only does not affect the holder's right to exercise other Options at a later time. If the holder exercises less than all Options represented by a certificate then the Company will cancel the certificate and issue a new certificate for the balance.

5.3 Subject to clauses 5.4-5.6, an Option that has not lapsed may be exercised at any time between 3 months and 5 years after the date the Option is issued.

If a Participant ceases to be an Employee, the options may be exercised within 90 days after ceasing to be an Employee or any longer period permitted by the Board. If not exercised within that period, the Options lapse.

5.4 If the Board determines that:

a) a Participant has acted fraudulently, dishonestly or in breach of the Participant's obligations to any company in the Group; and

b) Options issued in relation to the Participant are to be forfeited,

the Options will immediately lapse.

5.5 Notwithstanding any other clause, any Option not exercised will lapse on the expiry of five years after the date the Option was issued.

6. TRANSFER

Options may only be transferred with the approval of the Board. Options will not be quoted on ASX.

7. QUOTATION OF SHARES

The Company will make application to ASX for official quotation of Shares issued on the exercise of Options, if other Shares of the Company are listed at that time.

8. PARTICIPATION IN FUTURE ISSUES

8.1 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.

8.2 In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.

8.3 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

8.4 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S + D)]}{N + 1}$$

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.

S = the Subscription price for a security under the pro rata issue.

D = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

8.5 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.

8.6 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

9. ADVICE

The Company must give notice to each Participant or his nominated Associate of any adjustment to the number of Shares which the holder is entitled to subscribe for or be issued on exercise of an Option, or any adjustment to the exercise price per Share, in accordance with the Listing Rules.

10. NOTICES

Notices may be given by the Company to the holder or the Participant in the manner prescribed by the constitution of the Company for the giving of notices to members of the Company and the relevant provisions of the constitution of the Company apply with all necessary modification to notices to holders or Participants.

11. RIGHT TO ACCOUNTS

Holders will be sent all reports and accounts required to be laid before members of the Company in general meeting and all notices of general meetings of members but will not have any right to attend or vote at those meetings.

12. OVERRIDING RESTRICTIONS ON ISSUE AND EXERCISE

Notwithstanding any Terms and Conditions or the terms of any Option, Options may only be issued or exercised within the limitations imposed by the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

13. ADMINISTRATION OF THE SCHEME

13.1 The Scheme will be administered by the Board in accordance with these Terms and Conditions. The Board may make regulations for the operation of the Scheme which are consistent with these Terms and Conditions.

13.2 Any power or discretion which is conferred on the Board by these Terms and Conditions may be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.

13.3 Any power or discretion which is conferred on the Board by these Terms and Conditions may be delegated by the Board to a committee consisting of such Directors as the Board thinks fit.

13.4 The decision of the Board as to the interpretation, effect or application of these Terms and Conditions will be final and conclusive.

14. AMENDMENTS

These Terms and Conditions may only be amended, subject to the Listing Rules, by special resolution of the Company in general meeting.

15. RIGHTS OF PARTICIPANTS

Nothing in these Terms and Conditions:

- a) confers on any Employee or Associate the right to receive any Options;
- b) confers on any Participant the right to continue as an Employee;
- c) affects any rights which the Company or a subsidiary may have to terminate the employment of any Employee; or
- d) may be used to increase damages in any action brought against the Company or a subsidiary in respect of any such termination.

16. QUOTATION OF OPTIONS

The Company will not seek quotation on ASX of Options issued pursuant to the Scheme.