

Wednesday 27th July, 2016

June Quarter Activity Report - Portfolio Stock (coverage initiated @ \$0.49 in Sep 2015)

Talisman Mining (ASX: TLM, Share Price: \$0.39, Market Cap: \$72m) is one of our favourite exploration plays. Its flagship Springfield exploration project in Western Australia involves a potentially company-making joint venture with Sandfire Resources (ASX: SFR), under which Sandfire has earned a 70% stake in three of Talisman's exploration projects by spending \$15 million on aggressive exploration.

Talisman has recently released its June Quarterly report. The discovery of exceptionally high-grade copper-gold mineralisation and the maiden high-grade Mineral Resource estimate for the Monty copper-gold project has confirmed the significant exploration potential of the projects.



Market Significance

Talisman's share price has eased somewhat as the market digests the initial JORC Resource estimate and the likely commercial significance related to the sizeable massive sulphide hits generated from the JV's ongoing Monty drilling campaign. Monty represents the first significant high-grade massive sulphide copper-gold discovery outside of SFR's DeGrussa deposit. The JV has commenced a Feasibility Study for the development of the Monty deposit, whilst exploration activity will now be increasingly focused away from purely near-mine work, and on fully evaluating the regional exploration potential of the broader JV area.

Announcement Detail – June Quarter Report

With the maiden mineral resource for the Monty deposit completed during the March quarter, joint venture activities have now been divided into two specific components. The first involves a focus on development preparation and studies for the Monty deposit, whilst the second involves unlocking the regional exploration potential of the broader joint venture area.

A maiden JORC 2012-compliant Indicated and Inferred Resource of 1.05 million tonnes grading 9.4% copper and 1.6g/t gold was completed for the Monty copper-gold VMS deposit during April 2016, providing the foundation for a potential new satellite mining operation located 10km east of the DeGrussa copper-gold project.

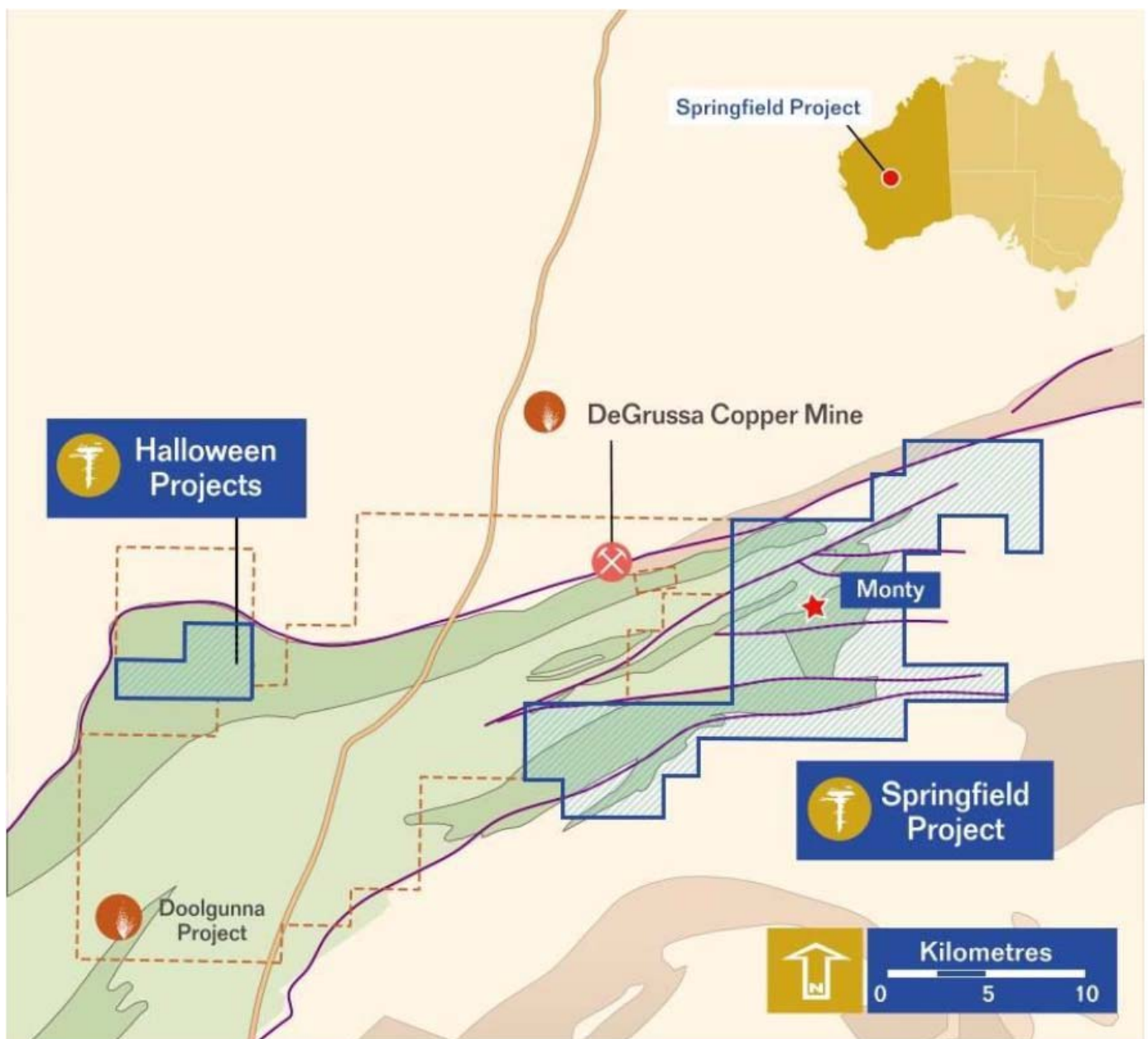


Figure 1: Talisman's Doolgunna Copper-Gold Projects in Joint Venture with Sandfire Resources NL

Following on from the high-level study completed during the quarter, the joint venture commenced a Feasibility Study (FS) for the development of the Monty deposit. The joint venture Manager is now focused on progressing the FS, which is aiming to maximise the value of the Monty deposit via optimisation of the development path for the project's partners.

In parallel with the FS, the joint venture Manager's exploration team have adjusted efforts away from inward focused resource development activities (that have dominated the on-ground work at Springfield since the discovery of the Monty deposit in mid-2015). Exploration activities will now instead take a more project-wide viewpoint, employing district-scale targeting techniques (such as technologically advanced ground-based SQUID EM and orientation surface sampling).

In conjunction with this work, the joint venture Manager has engaged specialist external consultants to complete a detailed structural evaluation of the Monty diamond drill-core. The work is designed to provide insight on the impact of localised fault structures on the known mineralisation at Monty, along with geological context to the deposit setting of the deposit. The study findings will help planning for deeper drilling in and around Monty during the September Quarter.

The joint venture completed 3,286 metres of diamond drilling, 6,529 metres of RC drilling and 32,277 metres of air-core drilling during the quarter.

Monty Project Overview

The Doolgunna joint venture involves Talisman Mining and Sandfire Resources, with Sandfire acting as joint venture Manager. The JV encompasses the Springfield Project (TLM - 30% and SFR - 70%) and the Halloween West Project (TLM - 19% and SFR - 81%), which are high-quality VMS copper-gold exploration projects in the emerging world class Bryah Basin region of Western Australia.

The discovery of exceptionally high grade copper-gold mineralisation and the maiden high grade Mineral Resource estimate for the Monty copper-gold project has confirmed the significant exploration potential of the projects.

A high-level study assessing potential for mining the Monty deposit was completed by the joint venture during the quarter. The purpose of the study was to identify any fatal flaws and to investigate optionality of various facets of Monty development including surface infrastructure location, site access, applicable mining methods and permitting and approval pathways.

Results of the study work were positive with no fatal flaws identified and the joint venture has approved and commenced the Monty FS, with a budget of \$3.9m (100% basis). The FS is scheduled for completion during the March 2017 quarter and several work streams are currently in progress.

In parallel with the FS activities, Sandfire and Talisman are continuing to progress formal exploration and mining joint venture agreements and are investigating potential ore process routes and terms.

The joint venture Manager has submitted a Mining Lease Application (MLA) to the Department of Mines and Petroleum of Western Australia over the Monty project (*Figure 1*). The area of the MLA is 16.42 sq km and covers the footprint of the known mineralisation of the Monty VMS deposit, as well as the surrounding area which will be required for a box-cut and decline portal and other supporting mine infrastructure.

The MLA process will be progressed in parallel with consultations and negotiations with relevant stakeholders and preparations for future mining activities.

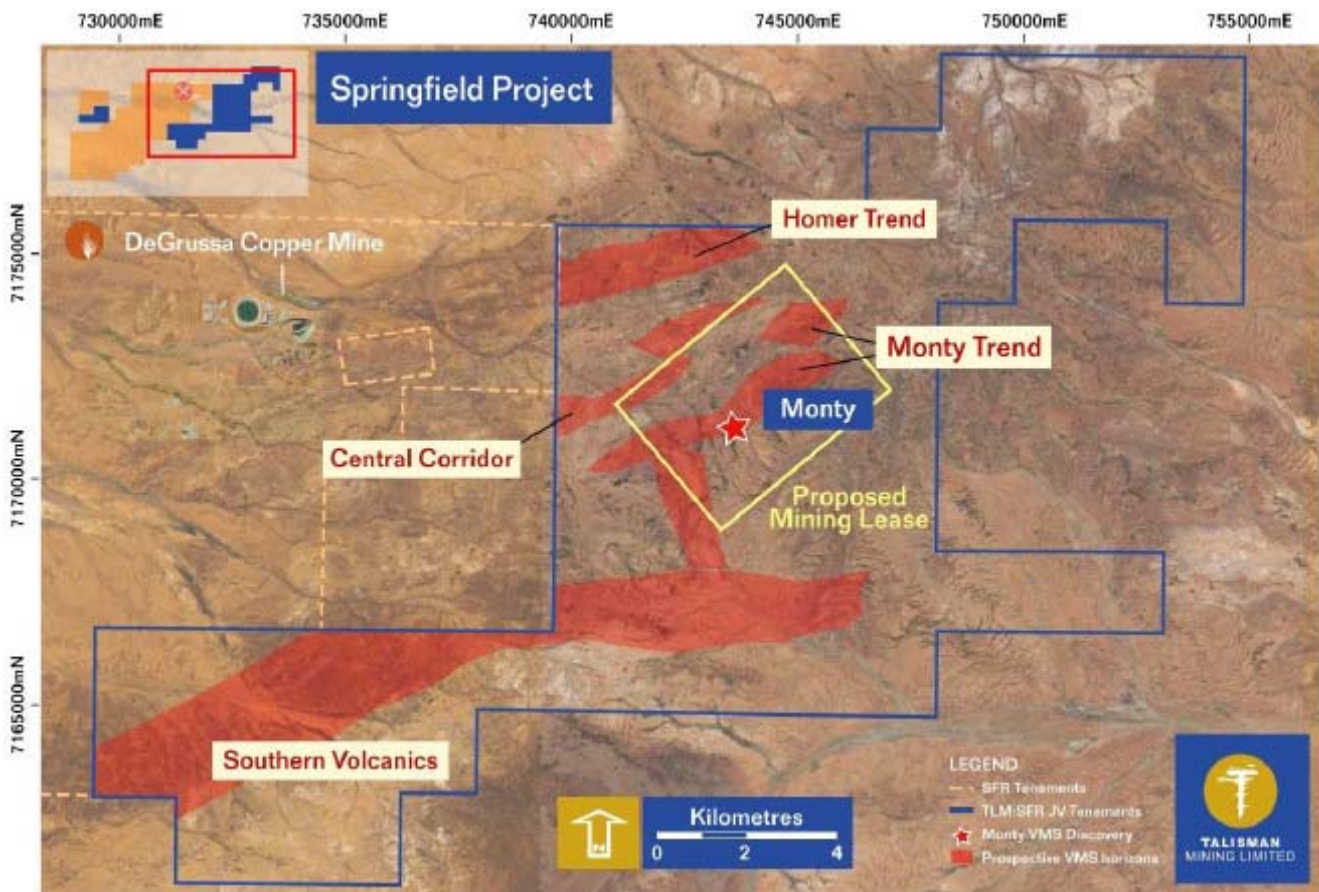


Figure 2: Monty Copper-Gold Project mining lease application location

Exploration Activity

The completion of the maiden resource estimate for the high grade Monty deposit has highlighted the prospectivity of the Springfield and Halloween West Projects, whilst simultaneously confirming the Bryah Basin as an emerging, world-class VMS district.

The geological focus of the joint venture Manager's on-site exploration team has now shifted to the wider Springfield Project. *Figure 2* shows the outline of the Monty Resource with an interpreted fault to the south west, and all diamond and RC holes that have intersected the interpreted host horizon along a 1.5km strike section. Many areas in the vicinity along strike, or at depth, from the Monty Resource remain untested.

Joint Venture activities during the quarter focused on further understanding the structure and mineralising controls within the near Monty environment with the aim of unlocking potential additional mineralisation at Monty. A program of specifically targeted diamond drilling designed to intersect these interpreted fault structures was completed during the quarter and the compilation of a structural model of the Monty deposit is now nearing completion. Construction of a 3D geological model has commenced.

The 3D structural geological model will provide additional context regarding the location and geological setting of the Monty deposit. This information will assist with planning the forthcoming program of diamond drilling and subsequent down-hole electromagnetic (DHEM) geophysical surveys aimed at testing for potential extensions of the Monty deposit during the quarter ending 30 September 2016.

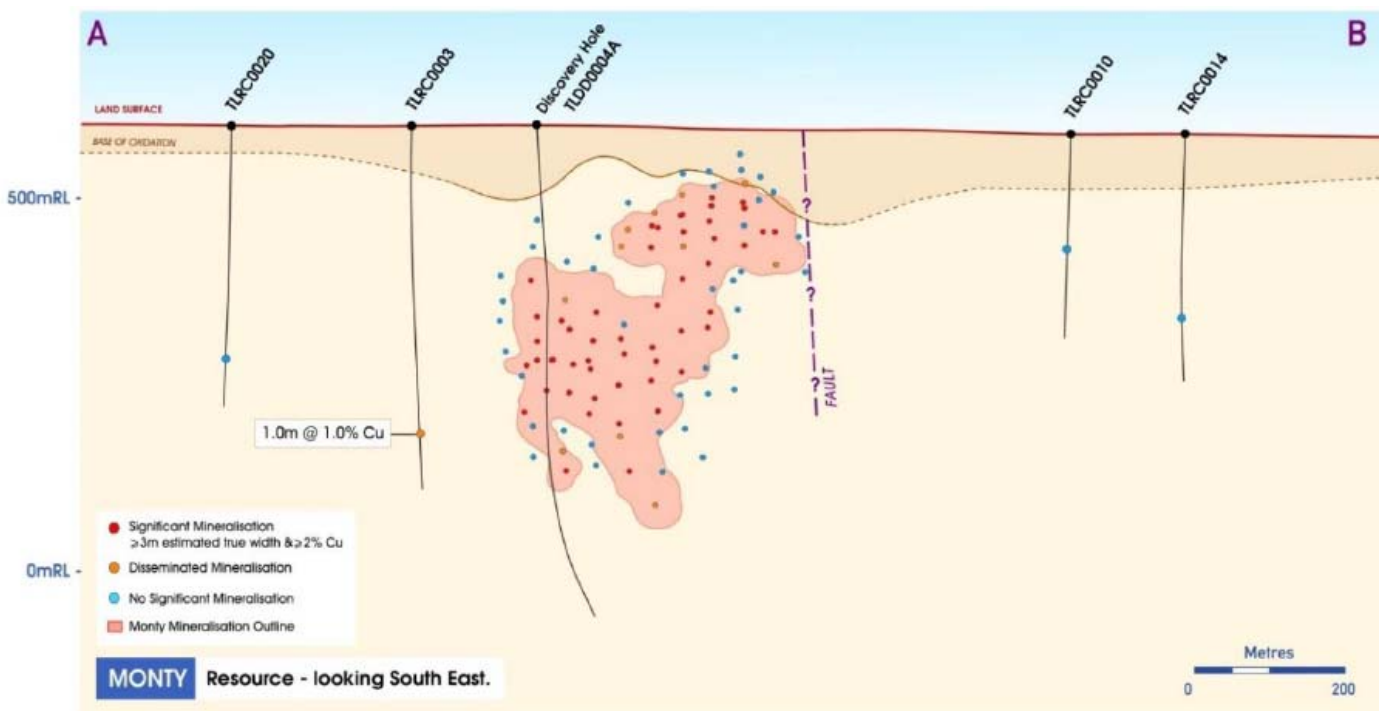


Figure 3: Stylised vertical longitudinal projection by Talisman showing Monty Resource outline and all RC and diamond holes intersecting the interpreted host horizon

A detailed surface EM survey using SQUID technology has been undertaken by NEWEXCO over the Monty deposit and surrounding area, along strike to the northeast and southwest. The aim of this survey is to detect Monty mineralisation from surface, where other similar (older sensor technology) surveys have failed to detect any anomalous signals.

SQUID EM sensors represent one of the most modern and advanced EM technologies, with a greater sensitivity and higher signal to noise ratio than previous sensors. This will hopefully assist in both identifying conductive bodies not previously detectable and differentiating non-sulphide conductive material.

The reduced noise TEM data from the SQUID surveys, particularly at low frequencies, may lead to greater depth of exploration and the detection of basement conductors under conductive cover sequences, such as those identified within the Springfield Project.

Sinclair Nickel Project

The Sinclair nickel project is located within the world-class Agnew-Wiluna Greenstone Belt in Western Australia's northeastern goldfields. The Sinclair nickel deposit, developed and commissioned in 2008 and operated successfully before being placed on care and maintenance in August 2013, produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni.

Sinclair has extensive infrastructure and includes a substantial 290 sq km tenement package covering more than 80km strike of prospective ultramafic contact within a 35km radius of the existing processing plant and infrastructure.

Talisman undertook a review of the Sinclair region during the June quarter, focused primarily on the Sinclair Trend, an 8km strike of ultramafic/basal contact running from the Sinclair deposit to the Delphi prospect. Other work included a review and assessment of the results of the regional work undertaken in late 2015 resulting in a planned program of DHEM surveys and RC and diamond drilling scheduled for commencement in August 2016.

Summary

Talisman has put enormous effort over the past half-dozen years or more into its overall Doolgunna exploration strategy, its review of exploration models and subsequent prioritisation of exploration targets. A lot of hard work and money has been invested by Talisman and the drilling results generated from Monty by the joint venture have been consistently outstanding. With the maiden Resource Estimate now completed, the JV is focused on exploration as a priority both within the Monty area and elsewhere within the Springfield JV.

The Maiden Resource at Monty confirms it is an exceptionally high-grade copper-gold deposit. Whilst smaller in size than what the market might have initially expected, the high-grade tenor of the resource means Monty is likely to be fast-tracked in terms of development. Accordingly, Talisman Mining will remain firmly held within our Portfolio.

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