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# Talisman Mining Ltd (TLM)

## Fully funded for Monty development

**Recommendation**  
**Buy** (unchanged)  
**Price**  
**\$0.465**  
**Valuation**  
**\$1.00** (previously \$1.07)  
**Risk**  
**Speculative**

**Expected Return**

Capital growth	<b>115%</b>
Dividend yield	<b>0%</b>
Total expected return	<b>115%</b>

**Company Data & Ratios**

Enterprise value	<b>\$63m</b>
Market cap	<b>\$86m</b>
Issued capital	<b>185.7m</b>
Free float	<b>86%</b>
Avg. daily val. (52wk)	<b>\$0.2m</b>
12 month price range	<b>\$0.13 - \$0.785</b>
GICS sector	

**Materials**

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	0.44	0.41	0.16
Absolute (%)	6.9	14.8	200.0
Rel market (%)	3.8	14.0	213.3

**Absolute Price**



SOURCE: IRESS

### Monty drill-out completed; Resource estimate awaited

The latest drilling results at the Monty Prospect in the Springfield Project in the Murchison of WA, which is a joint venture (JV) with Sandfire Resources (SFR, 70%), have delivered further significant high grade copper and gold results that largely complete the definition drilling ahead of the upcoming maiden Mineral Resource, on track to be completed in late March / early April 2016. While the latest drilling results contain further high grade copper-gold intersections, they are of slightly lower grades than many of the previous ones but they are still impressive. The latest drilling results are thick intersections and are still relatively high grade and are well within the spectrum to be expected of what is an exceptionally high grade copper-gold deposit.

We have incorporated the latest drilling results into a revised estimate for the Monty Mineral Resource that includes a component for the higher grade parts of the subsidiary lenses, leading to a slightly larger estimate at a slightly lower grade than previously. **Our revised Resource estimate is 1.5Mt at an average grade of 10.6% copper and 1.6g/t gold** for 161kt of contained copper and 77koz of contained gold.

### Placement removes any TLM concerns on Monty development

TLM recently raised \$16.7m by way of a placement at \$0.45 per share that sees the company with current cash reserves of about \$22.9m and no debt. This healthy cash position removes any concerns about TLM's ability to meet its share of the expected exploration and capital cost of a potential development of Monty, even though we would expect that the company would be readily able to obtain a significant proportion of the funding for this in the form of debt finance.

Our revised estimate for Monty shows it is still capable of becoming an extremely economically attractive mine that fully justifies priority development. With early stage development studies underway, we think Monty could be in production by early FY18.

### Increased district potential after Monty Deeps success

The recent discovery of potentially significant high grade copper-gold mineralisation at Monty Deeps, located about 80m vertically below the Main Lens at Monty, confirms the prospectivity for additional Monty-style VMS deposits in the near vicinity to Monty and elsewhere in the other three highly prospective nearby VMS corridors. With the drill-out at Monty now essentially completed, exploration will focus on these prospective areas.

### Investment thesis – Speculative Buy, Valn. \$1.00/sh (prev \$1.07)

Recent results still show that Monty is an exceptionally high grade copper-gold deposit. While we have reduced the average grade in our revised estimate of the Monty Resource, we have increased the tonnage so we still regard Monty as an exceptionally attractive deposit that warrants development being fast-tracked. Recent exploration success at Monty Deeps increases the potential for additional Monty-style deposits.

We have reduced our NPV-based valuation of TLM by a net 7% to \$1.00/share from a very small reduction to our Doolgunna valuation reflecting our revised Resource estimate and the enhanced potential for the discovery of additional VMS style deposits from the exploration success at Monty Deeps; and from the dilution of the recent placement. Speculative Buy retained.

# Risks of investment

The key risks for resources investments include, but are not limited to:

- **Commodity price and currency volatility:** The relatively liquid nature of metal commodity markets such as for copper, nickel and gold and foreign currency markets such as trading in the value of the Australian dollar, expose them to potentially wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with commodity price and currency volatility are potentially different commodity prices and foreign exchange rate outcomes to our forecasts.
- **Lack of exploration success:** The difficulty of exploring in the Murchison district is related to the fact that the region has variable outcrop and further complexity comes from the geologically disturbed nature of the Archaean bedrock that hosts various types of mineralisation. The rocks have suffered extensive structural dislocation (faulting, shearing and over-thrusting) and variable alteration and weathering and may contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and may inhibit the definition of adequate resources and reserves.
- **Lack of funding:** Exploration companies generally don't have a revenue source and so they require periodic injections of funding to enable adequate exploration and related development activities to continue so they can develop their projects.
- **Mining and metallurgical issues:** The mining and metallurgy of the Sinclair nickel deposit is well understood from previously successful operations and it is expected other nickel mineralisation in the surrounding district will have similar mining and metallurgical properties. Adequate investigations and testwork needs to be done on these other occurrences of nickel to confirm their suitability for mining and processing. Similarly, while visual inspection of the high grade copper-gold mineralisation in massive sulphides discovered at Monty indicates it may be very similar to the ore successfully mined and processed at the nearby DeGrussa mine, detailed testwork is needed to demonstrate its suitability for mining and processing. Adverse mining and metallurgical characteristics may result from such detailed investigations that could lead to a need for more complicated and expensive mining and processing requirements.
- **Regulatory and social licence approvals:** While there are currently no indications that there may be any difficulties with progressing through the necessary regulatory and social licence approvals processes to enable a suitable mining operation to be re-established at Sinclair or established at new areas near Sinclair and at Doolgunna, prolonged delays can result from adverse environmental or other regulatory issues and from the need to progress Native Title negotiations in a very careful and sensitive manner. Various stages of the regulatory approvals process can sometimes suffer unforeseen delays related to changes in personnel involved or from the need to resolve differences in interpretations. There may be some tenements in which the company has an interest or may acquire an interest in future which may contain areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the company to gain access to such tenements (through obtaining the consent of any relevant landowner) or to progress from the exploration phase to the development and mining phases of operations may be affected.
- **Weather impacts:** Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to the unsealed nature of roads and airstrips in the remote regions in which the company operates.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.

# Monty Mineral Resource estimate imminent

## Monty drill-out largely completed for the Resource estimate

The resource definition drilling at the Monty Prospect in the Springfield Project in the Murchison of WA, which is a joint venture (JV) with Sandfire Resources (SFR, 70% and Manager) and TLM (30% contributing), has essentially been completed. The information generated by this definition drilling will support the maiden Mineral Resource Estimate for Monty, which is understood to be on track for completion by the end of March / early April 2016.

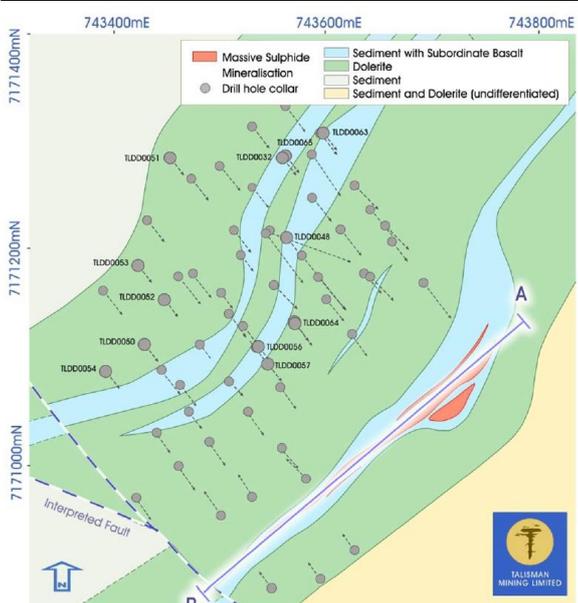
## Recent drilling results returned more thick intersections with slightly lower grades

The market has unrealistically come to expect continuing very high grade copper intersections from the Monty drilling. While the latest drilling results contain further high grade copper-gold intersections, they are of slightly lower grades than many of the previous ones but they are still impressive. The latest drilling results are thick intersections and are still relatively high grade and are well within the spectrum to be expected of what is an exceptionally high grade copper-gold deposit.

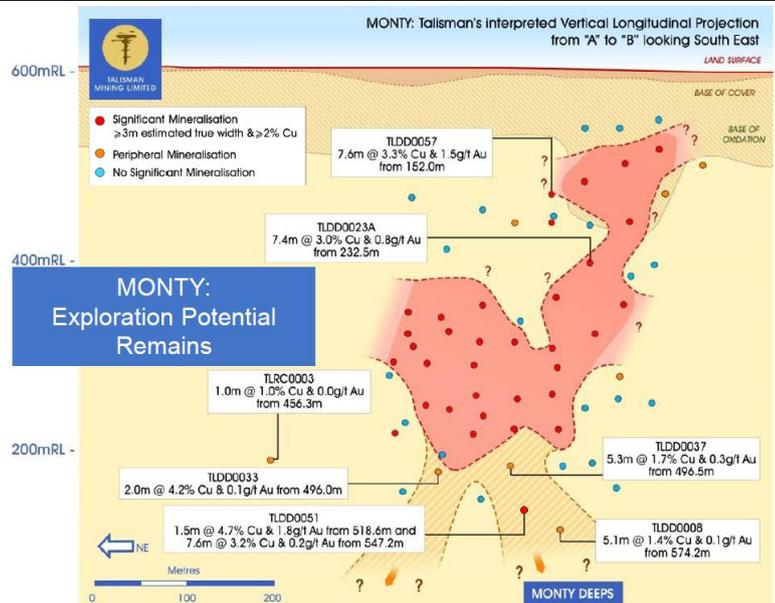
Of the results for the 11 new holes for which results have been reported (Figure 1), the following results are regarded as most significant:

- In the Lower Zone, **TLDD0048 intersected 6.6m (estimated true thickness 3.9m) averaging 6.0% copper and 2.2g/t gold from 371.6m down hole and 7.8m (estimated true thickness 5.2m) averaging 11.0% copper and 2.5g/t gold from 393.0m down hole;** and hole **TLDD0065 intersected 5.0m (estimated true thickness 3.9m) averaging 4.2% copper and 0.7g/t gold from 425.6m down hole.**
- In the Upper Zone, hole **TLDD0056 intersected 3.5m (estimated true thickness 1.9m) averaging 4.4% copper and 1.1g/t gold from 186.6m down hole and hole TLDD0057 intersected 7.6m (estimated true thickness 3.4m) averaging 3.3% copper and 1.5g/t gold from 152.0m down hole.**

**Figure 1 – Plan view of Monty showing simplified geology**      **Figure 2 - Vertical long projection showing Monty's exploration potential**



SOURCE: TALISMAN MINING      NOTE: INTERSECTIONS FROM NEW HOLES ARE SHOWN WITH DRILL HOLE NUMBERS



SOURCE: TALISMAN MINING

### Other important intersections close to the reported significant ones

Significant intersections at Monty are defined as any intersection of at least 3m true thickness which has a grade of at least 2.0% copper, inclusive of non-mineralised material. In addition to the significant intersections reported by TLM from the latest drilling results, TLM has reported other intersections that it does not regard as significant but which we think do have considerable importance because of the high grade nature of them and their potential proximity to the main zones of copper-gold mineralisation, which includes:

- In the Lower zone, hole TLDD0063, which intersected **0.8m averaging 15.1% copper and 0.7g/t gold** from 312.2m down hole in which the true thickness is estimated to be 0.6m; and
- Below the Lower Zone in what is now being called the Monty Deep area (see discussion on page 5), hole TLDD0051 intersected **1.5m averaging 4.7% copper and 1.8g/t gold** from 518.6m down hole in which the true thickness is estimated to be 1.4m and **7.6m averaging 3.2% copper and 0.2g/t gold** from 547.2m down hole in which the true thickness is estimated to be 6.3m.

### Revision of our estimate for the maiden Resource at Monty

Our review of the latest drilling results and a better understanding of what the forthcoming maiden Mineral Resource estimate is likely to consider leads us to revise our previous estimate for the likely Resource at Monty. We now believe the Resource estimate will incorporate a component that includes some of the subsidiary lenses in addition to the Main Lens. While some of the most recent Monty intersections were thicker than some of the previous ones, the grades were slightly lower. The net effect of these results is for our estimate of the size of the maiden resource to be increased but the average grade is lowered compared to our previous estimate. Our revised estimate is **1.5Mt at an average grade of 10.6% copper and 1.6g/t gold containing 161kt of copper and 77koz of gold** (Table 1). The revised resource estimate for Monty has two principal components – the Main Lens and the Subsidiary Lenses.

#### Majority of tonnage in revised Resource Estimate is in the Main Lens

For the Main Lens intersections, they have been considered for three zones – Upper, Middle or Flexure, and Lower. The tonnage of each zone was estimated by considering its strike, plunge or dip extent and average true thickness and using the standard SG of 3.75 based on similarity with mineralisation at the DeGrussa mine of Sandfire Resources (SFR). A minimum true thickness of 2.2m was used for all intersections on the basis of it being what we estimate is a minimum mining width so any intersections with true thickness of less than 2.2m were diluted to a 2.2m true thickness using material of 0.0% copper and 0.0g/t gold. The average thickness of each zone was taken as the simple arithmetic (unweighted) thickness of true thicknesses (including those intersections diluted to a minimum of 2.2m). The copper and gold grades were estimated by calculating the weighted average grade of those true thicknesses (including the diluted grades for true thicknesses of less than 2.2m). No cutting of copper or gold grades was undertaken.

**Table 1 - Summary of revised Monty Resource estimate**

	Ore Mt	Average Grades		Contained Metals.	
		% Cu	g/t Au	Cu kt	Au koz
Main lens - Upper and flexure Zones	0.3	6.5%	1.7	23	19
- Lower Zone	1.0	12.2%	1.6	116	50
- Total	1.3	10.6%	1.6	138	69
Subsidiary lenses	0.2	10.6%	1.2	23	8
<b>Total Resource</b>	<b>1.5</b>	<b>10.6%</b>	<b>1.6</b>	<b>161</b>	<b>77</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

Some of the zones in the Main Lens actually contained sub-significant intersections (one was 0.3m true thickness at 3.6% copper and 0.1g/t that was diluted to 2.2m true thickness at 0.7% copper and 0.02g/t gold) that were included because they fell within the interpreted zone. A sub-significant intersection is defined as an intersection with a true thickness of less than 3m and a grade of at least 2% copper including non-mineralised material.

#### **Resource estimate for subsidiary lenses is a less specific, indicative one**

In the case of the subsidiary lenses, an attempt was made to try and correlate them across adjacent holes but this proved difficult without supporting geological information and in the end a global estimate of the extent of the more significant subsidiary lenses was made for an area containing such lenses and for which the tonnage was calculated by estimating the strike, plunge or dip extent and average true thickness and using the standard SG of 3.75 as before. A total of eight subsidiary lens intersections were considered for this tonnage estimate. A minimum true thickness of 2.2m was used as a proxy for a minimum mining width as before for the main zone and the average thickness derived by simple arithmetic average of those true thicknesses (including diluted true thicknesses of 2.2m). The copper and gold grades were estimated by calculating the weighted average grade of those true thicknesses (including the diluted grades for true thicknesses of less than 2.2m). In determining the tonnage and grade for the subsidiary lenses, cutting of thickness and grades was undertaken. Because one of the intersections was from the bornite zone (in hole TLDD0026 of 21.6m at 34.3% Cu) and was very significantly thicker and higher grade than any of the other intersections, it was subjected to cutting in that both the true thickness and the copper and gold grades were halved. The estimated resource in the subsidiary lenses is not regarded as a definitive estimate of such material but is really only an indication of the potential for such material identified to date.

#### **Revised maiden Resource estimate still regarded as conservative**

We believe our estimate for the maiden Resource is conservative due to multiple factors including the following:

- The Upper Zone remains open along strike in both directions;
- The Flexure Zone is sparsely drilled and remains open along strike to the south-west;
- The Lower Zone remains open along strike, particularly to the north-east;
- There is expected to be more significant mineralisation in several of the many other subsidiary lenses that are in close proximity to the Main Lense;
- Potential mineralisation in other nearby significant zones such as Monty Deeps; and
- Using a higher density and greater down dip extent than our conservative estimates.

We estimate these factors collectively could add of the order of an additional 0.1 to 0.3Mt at an average copper grade of about 5% to 7% for around 5 to 20kt of contained copper. Accordingly we remain comfortable with our previous upside estimate of 1.6Mt for the minimum size of the Monty deposit.

#### **Near-Monty and regional exploration potential enhanced**

Previous exploration at Monty identified the potential for additional mineralisation in and around Monty. In particular the two areas at Monty known as Monty Deeps and Monty South are regarded as having high prospectivity for hosting Monty-style VMS deposits.

##### **Monty Deeps**

The Monty Deeps area has previously been identified as a prospective target zone, interpreted to be located about 80m below the Monty Lower Zone. The existence of Monty Deeps was indicated in the drilling results from holes TLDD0007, TLDD0008 and TLDD0012, which demonstrated the potential continuation of the host VMS exhalative stratigraphy (Figure 2). Hole TLDD0008 intersected **5.1m at 1.4% copper and 0.1g/t gold** from 574.2m down hole **within a 70m thick package of Monty-style exhalative**

**sequence.** First pass drilling and assessment of the newly identified Monty Deeps area was begun recently with the drilling of hole TLDD0051, which intersected **1.5m averaging 4.7% copper and 1.8g/t gold** from 518.6m down hole in which the true thickness is estimated to be 1.4m and **7.6m averaging 3.2% copper and 0.2g/t gold** from 547.2m down hole in which the true thickness is estimated to be 6.3m. The first intersection in TLDD0051 is located about 80m vertically below the currently interpreted extent of the Monty Lower Zone. Whilst it is too early to draw definite conclusions about the relationship of these intercepts and either the Monty Lower Zone or the potential for them to be related to the previously indicated Monty Deeps mineralisation, the intersections are regarded as very encouraging and their significance will be investigated by further drilling.

### Monty South

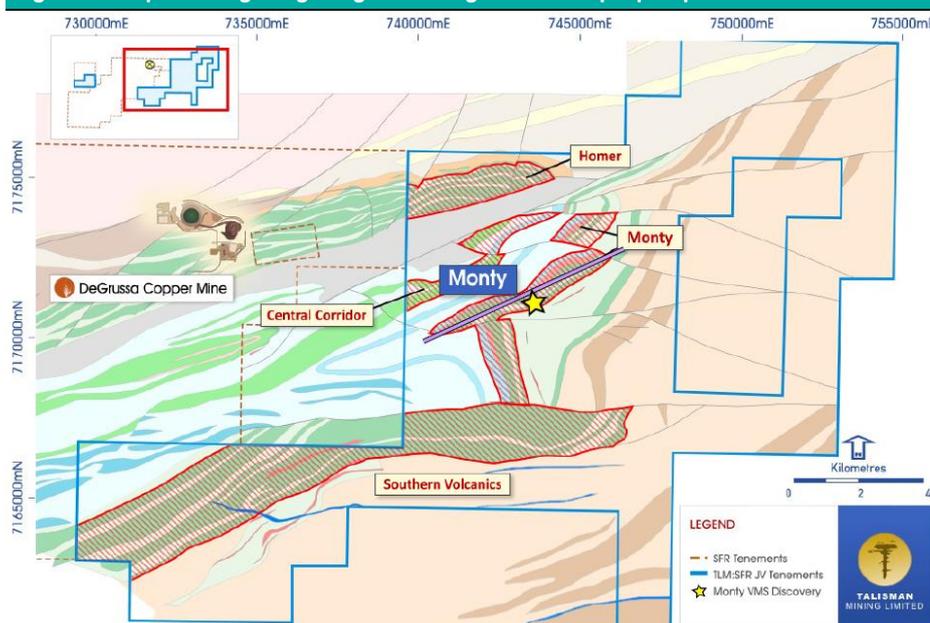
The region around the Monty deposit contains a series of geochemical anomalies defined by aircore drilling and detailed geochemical analysis. These anomalies include the Monty South target and they are planned to be tested by aircore and RC drilling in 2016. Monty South is regarded as a potentially significant extension of the highly prospective Monty Trend. This potential extension, which is in addition to the currently interpreted 5km Monty Trend, is interpreted to have undergone significant structural deformation that means the prospective Monty South extension offsets the Monty Trend by as much as 70°.

### Homer Prospect and the surrounding regional area

Although the JV had been planning to drill a series of drill holes into the highly prospective Homer trend for some time, so far it has only completed one hole – TLDD0068, an RC hole with a diamond tail - located 3.4km and 2.8km to the east-north-east of TLDD0001 and TLDD0003 respectively. TLDD0068 was targeting a geochemical anomaly identified from historic TLM drilling. The hole intersected predominantly dolerite lithologies and failed to intersect the targeted DeGrussa C5 host horizon. No base metal sulphides were observed and assays are still awaited. The hole is expected to be subjected to down hole electromagnetic (DHEM) surveying and continued exploration is expected to be undertaken along the Homer Corridor.

The Homer Prospect sits in one of four prospective VMS corridors, along with the Monty, Central and Southern Volcanics Corridors (Figure 3) that are regarded as being part of a larger VMS camp in the region. Future exploration is planned in the near term along the 5km long Monty Corridor and in the Southern Volcanics Corridor.

**Figure 3 - Map showing the geological setting of the multiple prospective corridors**



SOURCE: TALISMAN MINING

# Net 7% reduction in TLM valuation

We have revised our valuations for TLM (Table 2). These revisions have incorporated our revised Mineral Resource estimate that is the basis for a revised potential mining operation for Monty; increased prospectivity for near-Monty and regional VMS mineralisation arising from the recent drilling success at Monty Deeps; and the dilutionary effect of the recent share placement.

## Doolgunna valuation effectively retained

### Monty valuation slightly reduced; exploration potential increased

We have assumed a revised mining inventory for Monty of 1.7Mt at an average grade of 9.5% copper and 1.4g/t gold, which we now expect to give a mine life of about 5.6 years (previously 4.6 years) at the same assumed processing rate as previously (300ktpa) to yield about 27ktpa of contained copper in concentrate at an estimated C1 cash cost (after by-product credits) of around US\$0.85 /lb. We have not assumed any direct shipping ore (DSO) production. We estimate that total expenditure on the Doolgunna JV from March to June 2016 will be \$7.5m, bringing the total expenditure under the recently formed JV to \$15m of which TLM's share is \$4.5m. We have assumed total JV expenditure of about \$8.3m at Doolgunna from July 2016 up to a decision to mine for Monty of which TLM's share is \$2.5m. Total capital cost for development of Monty is still estimated to be about \$55m (TLM share \$16.5m). With current cash reserves of about \$22.9m and no debt, TLM is potentially capable of funding all of its share of the likely exploration and development costs for Monty and the regional area from its cash reserves although we would actually expect that TLM will be able to fund at least a meaningful proportion of the Monty development from readily available debt, given the high quality of the deposit. Our revised net present value (NPV) for Monty is \$382m of which TLM's 30% share is \$115m.

Based on the very significant recent drilling results for the area below the main Monty deposit, which is now called Monty Deeps, we believe there is even more likelihood that there will be other similar types of VMS deposit around Monty and in the surrounding regional area. Accordingly we have increased our exploration valuation for the Monty and surrounding regional area to \$75m of which TLM's share is \$22m.

## Valuations reduced from net of Doolgunna revision, placement dilution

Our risk weighted valuation for TLM (Table 2) has decreased by 7% to \$1.00 per share as a result of the net effect of our very slight reduction to our Doolgunna valuation and the dilution from the recent placement. The revised Doolgunna valuation incorporates the impact of the revised Resource estimate for Monty that flows into a revised potential Monty mining operation (which is based on a slightly lower grade mining inventory but has an extended mine life). As we believe TLM is now fully funded to see the Monty deposit in production, these valuations have not been further diluted by any additional equity other than the potential conversion of in-the-money share options (Table 2).

**Table 2 – Summary of NPV-based valuations of TLM**

	\$m	\$ per share <sup>1</sup>
Exploration Assets – Doolgunna Project	137	0.73
- Sinclair Nickel Project	34	0.18
- Other	1	0.00
- Total	<u>171</u>	<u>0.92</u>
Administration	(8)	(0.04)
Net Cash and Options <sup>2</sup>	<u>24</u>	<u>0.13</u>
<b>Total Valuation</b>	<b>187</b>	<b>1.00</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.  
2. INCLUDES EXERCISE OF IN-THE-MONEY OPTIONS.

# Talisman Mining Ltd (TLM)

## Company description

TLM will now have a 30% contributing interest in its Doolgunna Copper-Gold Project after the recent expenditure by its JV partner, SFR, has reached a level where it has now earned a 70% interest in the Project. The Project is in the Murchison district of Western Australia and comprises three individual projects collectively covering about 350km<sup>2</sup> adjacent to SFR's DeGrussa copper-gold mine. TLM and SFR have now collectively spent over \$43m on TLM's Doolgunna Copper-Gold Project over about the past five years. Drilling in the Springfield Project within the Doolgunna JV by SFR has discovered a high grade copper-gold deposit in massive sulphides in a VMS setting at the Monty Prospect, where studies into its development are underway and further drilling around it and in the surrounding area is continuing.

TLM also owns 100% of the Sinclair Nickel Project, which is also in the Murchison of Western Australia and which it purchased in early 2015. The Sinclair Project contains the recently well mothballed Sinclair nickel mine and associated treatment plant with infrastructure and extensive and highly prospective exploration tenements in the surrounding area. TLM recently carried out an initial exploration drilling program at Sinclair that discovered nickel sulphide mineralisation at the Delphi Prospect.

## Investment Thesis – Speculative Buy, Valuation \$1.00/sh (prev. \$1.07/sh)

Recent results still show that Monty is an exceptionally high grade copper-gold deposit. While we have reduced the average grade in our revised estimate of the Monty Resource, we have increased the tonnage so we still regard Monty as an exceptionally attractive deposit that warrants development being fast-tracked. Recent exploration success at Monty Deeps increases the potential for additional Monty-style deposits.

We have reduced our NPV-based valuation of TLM by a net 7% to \$1.00/share from a very small reduction to our Doolgunna valuation reflecting our revised Resource estimate and the enhanced potential for the discovery of additional VMS style deposits from the exploration success at Monty Deeps; and from the dilution of the recent placement. Speculative Buy retained.

## Valuation

Our valuation of TLM is based on risked sum-of-the-parts DCF-based valuations for TLM's interests in the Monty and Sinclair projects (using a discount rate of 10%) plus an estimated valuation for TLM's other various exploration prospects.

## Risks

The key risks for resources investments include, but are not limited to:

- **Commodity price and currency volatility:** The relatively liquid nature of metal commodity markets such as for copper, nickel and gold and foreign currency markets such as trading in the value of the Australian dollar, exposes them to potentially wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with commodity price and currency volatility are potentially different commodity prices and foreign exchange rate outcomes to our forecasts.
- **Lack of exploration success:** The difficulty of exploring in the Murchison district is related to the fact that the region has variable outcrop and further complexity comes

from the geologically disturbed nature of the Archaean bedrock that hosts various types of mineralisation. The rocks have suffered extensive structural dislocation (faulting, shearing and over-thrusting) and variable alteration and weathering and may contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and may inhibit the definition of adequate resources and reserves.

- **Lack of funding:** Exploration companies generally do not have a source of revenue and so they require periodic injections of funding to enable them to carry out adequate exploration and related development activities in order to continue to develop their projects.
- **Mining and metallurgical issues:** The mining and metallurgy of the Sinclair nickel deposit is well understood from previously successful operations and it is expected other nickel mineralisation in the surrounding district will have similar mining and metallurgical properties. Adequate investigations and testwork needs to be done on these other occurrences of nickel to confirm their suitability for mining and processing. Similarly, while visual inspection of the high grade copper-gold mineralisation in massive sulphides discovered at Monty indicates it may be very similar to the ore successfully mined and processed at the nearby DeGrussa mine, detailed testwork is needed to demonstrate its suitability for mining and processing. Adverse mining and metallurgical characteristics may result from such detailed investigations that could lead to a need for more complicated and expensive mining and processing requirements.
- **Regulatory and social licence approvals:** While there are currently no indications that there may be any difficulties with progressing through the necessary regulatory and social licence approvals processes to enable a suitable mining operation to be re-established at Sinclair or established at new areas near Sinclair and at Doolgunna, prolonged delays can result from adverse environmental or other regulatory issues and from the need to progress Native Title negotiations in a very careful and sensitive manner. Various stages of the regulatory approvals process can sometimes suffer unforeseen delays related to changes in personnel involved or from the need to resolve differences in interpretations. There may be some tenements in which the company has an interest or may acquire an interest in future which may contain areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the company to gain access to such tenements (through obtaining the consent of any relevant landowner) or to progress from the exploration phase to the development and mining phases of operations may be affected.
- **Weather impacts:** Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to the unsealed nature of roads and airstrips in the remote regions in which the company operates.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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