

Tuesday 8<sup>th</sup> November, 2016

### Sinclair Nickel Project Drilling Update - Portfolio Stock (coverage initiated @ \$0.49 in Sep 2015)

Talisman Mining (ASX: TLM, Share Price: \$0.38, Market Cap: \$69m) has been 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 also has other irons in the fire and in 2016 it has commenced maiden drilling activities on its 100%-owned Sinclair nickel project. The company has just advised that it has commenced a new 3,000-metre diamond and RC drilling program in order to follow up previous encouraging drilling results.*



### Market Significance

Talisman's share price has eased as the market digests its initial Monty JORC Resource estimate and the overall commercial significance. Monty represents the first significant high-grade massive sulphide copper-gold discovery outside of SFR's DeGrussa deposit and the JV is currently undertaking a Feasibility Study. Whilst the focus over recent years has been solely on Monty, its Sinclair Project has had to take somewhat of a back seat; however this is all now changing, with the company's initial drilling programs at Sinclair proving to be highly encouraging, especially at a time of improving nickel market fundamentals.

## Announcement Detail – Sinclair Drilling Update

As background, Talisman made a strategic decision during late-2015 to suspend on-ground regional exploration activities at its 100%-owned Sinclair nickel project in Western Australia due to a combination of weak market conditions at that time, a soft nickel price and the necessity to allocate funds for the drill-out of the high-profile Monty prospect, situated within its Springfield Project.

Since then the nickel price has improved substantially on the back of improved market fundamentals - principally linked to a fall in LME inventories and big question marks over major nickel supplier to China, The Philippines.



As we advised in our most recent coverage during August and September, Talisman had commenced its maiden exploration drilling program at Sinclair, with the campaign focused on diamond and RC drilling of new, high-priority targets at two specific prospects - Delphi North and Schmitz Well South.

### Delphi North

Results from the recently completed initial program of seven RC drill-holes have confirmed the presence of high-tenor massive nickel sulphides in RC drilling. Four of the seven holes intersected massive sulphide mineralisation, with significant intercepts comprising:

- SNRC010: 4 metres @ 4.79% Ni from 154 metres down-hole
- SNRC012: 5 metres @ 2.39% Ni from 73 metres down-hole
- SNRC019: 9 metres @ 4.20% Ni from 131 metres down-hole

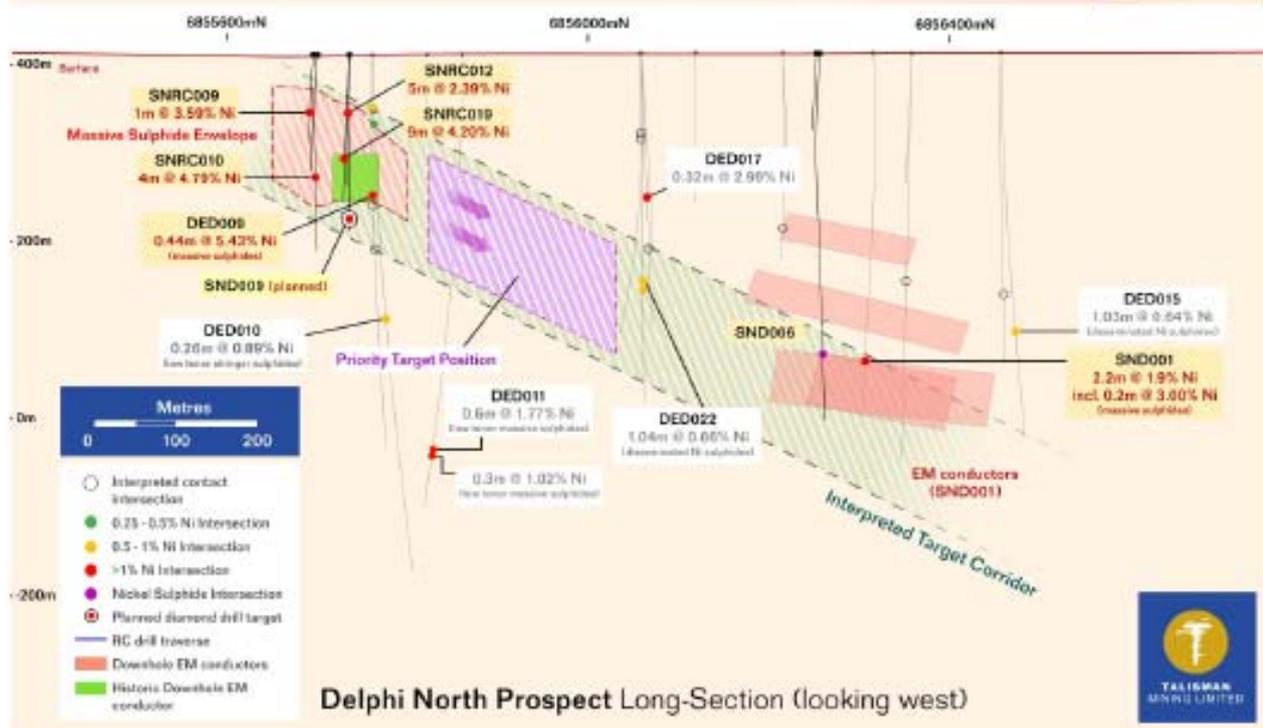
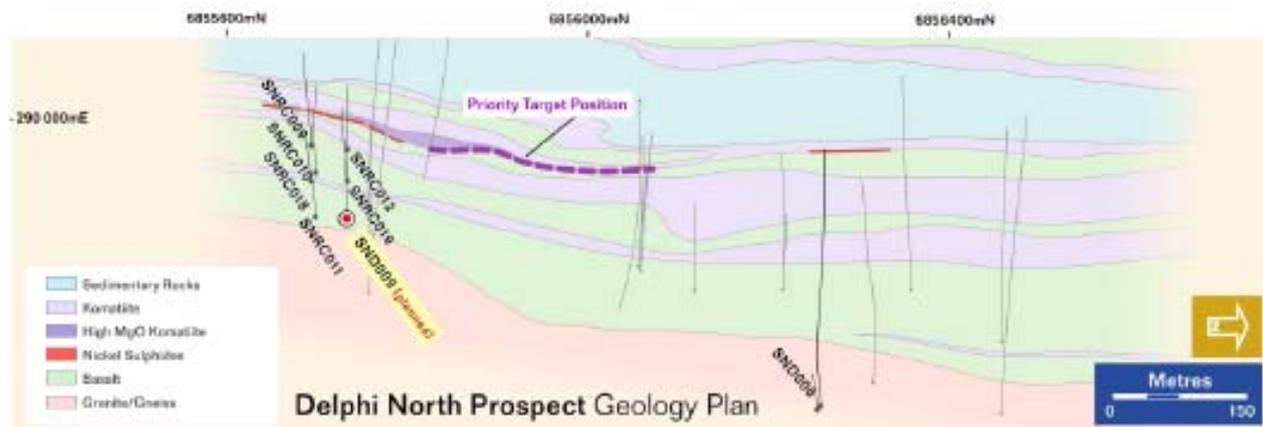
The fences of RC drill-holes were designed to test a shallower area up-dip of the previously reported massive sulphide mineralisation intersected in hole DED009. The zones of massive and stringer nickel sulphide mineralisation intersected in this drilling, which have now been confirmed by assay, are of a

higher tenor and greater thickness compared to previous results. While Talisman is still assessing these results in the full context of all previous drilling, the company is encouraged by this result.

Diamond drilling of SND006 is now complete and while analysis of core samples is pending, multiple zones of brecciated to massive sulphides (pyrrhotite, chalcopyrite and minor pentlandite) have been logged in the drill-core.

## Technical Significance

SND006 was planned to test a conductor identified in the previously completed DHEM survey of SND001, some 50 metres to the north. SND006 was interpreted by Talisman to intersect the target toward the top of the modelled EM plate - and as such has not fully tested the targeted plate. The brecciated to massive nature of the sulphide intersection in SND006 is consistent with Talismans' geological interpretation of this position and validates the current exploration strategy to target massive sulphide mineralisation at Delphi North.



*A repetition of the prospective ultramafic sequence in the footwall to the logged nickel sulphides in SND006 could indicate folding of the prospective basement contact, which could represent a similar structural position to that which hosts the Sinclair mine. While further work is required to confirm Talisman's interpretation of the stratigraphy, Talisman views the geology logged in SND006 as positive and highly encouraging.*

An additional diamond drill-tail will be completed to test beneath SNRC019 (which returned 9 metres @ 4.20% Ni). The RC pre-collar for this hole (SND009) has been completed to a depth of 100 metres and diamond drilling will commence immediately following the completion of SND007, which is currently in progress. DHEM surveys will be completed for all diamond drill-holes, along with selected RC drill-holes at Delphi North.

### **Schmitz Well South Prospect**

Drilling of three of the four planned RC drill-holes at the Schmitz Well South prospect has been completed, with the work designed to test an interpreted extension of the ultramafic unit under cover, identified from recent work undertaken by Talisman.

The three drill-holes intersected broad zones of prospective high-Mg ultramafic rocks, containing multiple zones of trace to disseminated (cloud) sulphides throughout. This validates Talisman's original interpretation and is viewed as a highly encouraging result, given the blind nature of the original target. The fourth drill hole planned in the program was put on hold, as it is currently interpreted to be outside of the prospective ultramafic package.

All three of the drill-holes have been sampled, with samples currently at the laboratory in Perth for analysis and results pending.

### **Next Steps**

Talisman has announced the commencement of a 3,000-metre diamond and RC drilling program at Sinclair, which will commence with diamond drilling at the Delphi North Prospect to follow-up the recent highly encouraging results that included a massive nickel sulphide intersection of 9 metres @ 4.20% Ni from 73 metres in hole SNRC019.

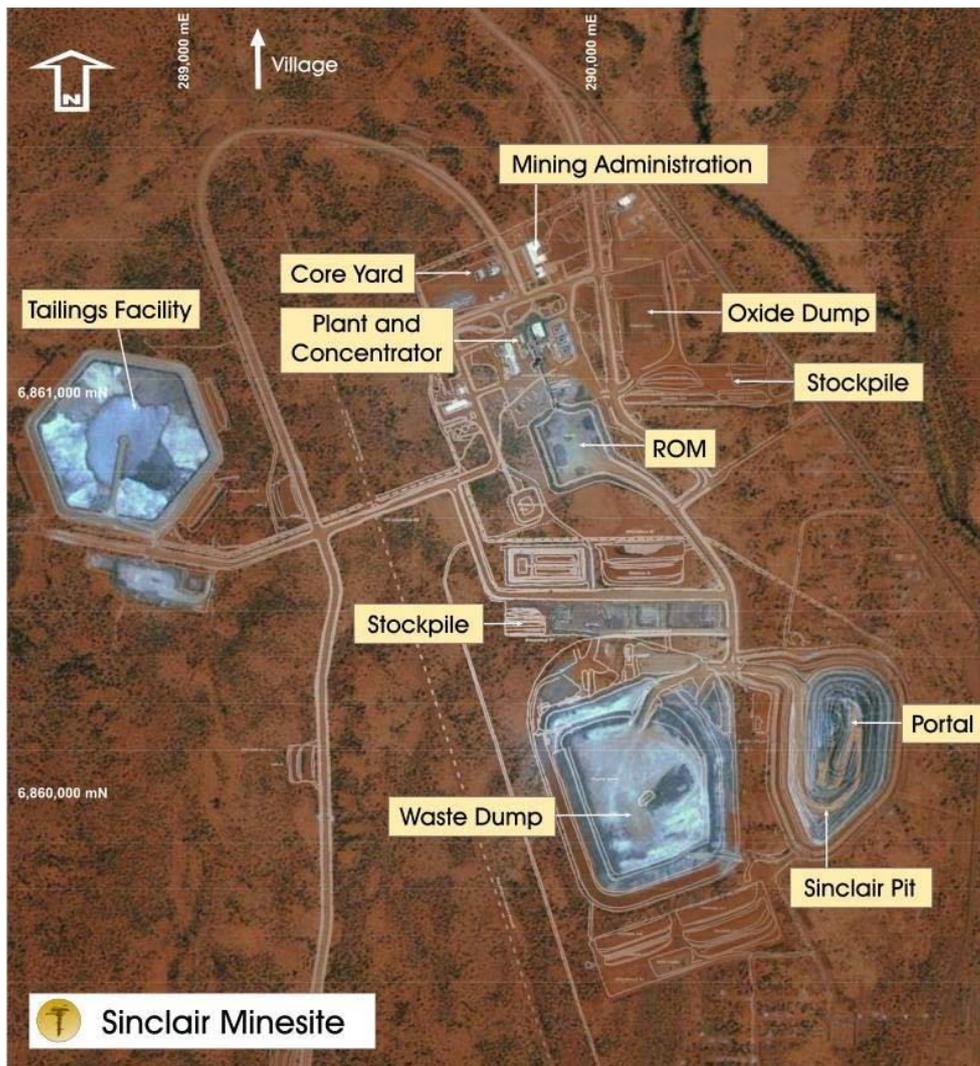
Several new areas across the Sinclair ultramafic trend are also being tested as a part of this program that includes down-hole electromagnetic (DHEM), geochemical and conceptual geological targets at the Stirling, Sinclair North, Sinclair East and Parnassus Prospects. DHEM surveys will be completed throughout the course of the drilling campaign for all diamond and selected RC drill-holes.

The aim of the drilling program will be to continue to add to the current known massive nickel sulphide mineralisation occurrences at Sinclair, whilst also building on the company's existing geological understanding of the broader mineralising controls throughout the Sinclair trend.

## Sinclair Project Overview

Talisman acquired the Sinclair project from Xstrata during late 2014 for consideration of \$8 million cash and a contingent deferred payment of \$2 million if production recommences within a six-year period.

*Sinclair was discovered by the formerly highly-successful nickel miner and explorer, Jubilee Mines, during October 2005. Sinclair is therefore an asset that Talisman knows extremely well, with several key members of its team closely involved in the project's evaluation.*



**Figure 2:** Sinclair Mine-site

The Sinclair nickel project includes extensive new-near infrastructure including an existing open-cut and underground mine, an on-site 300,000tpa concentrator, sealed airstrip and +200-person accommodation village. The process plant and mine were placed on care and maintenance in August 2013 and have been maintained to a very high standard.

Sinclair was developed and commissioned during 2008 and operated successfully before being placed on care-and-maintenance during August 2013, having produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni.

Glencore retains the right to make an offer for off-take for the first 20,000 tonnes of contained nickel-in-concentrate produced, which Talisman can either accept or reject. In turn, Glencore also has the right to match the best third-party off-take offer should Talisman elect to seek alternative offers.

Sinclair is located within the world-class Agnew-Wiluna Greenstone Belt in the North-eastern Goldfields region of WA. It boasts extensive existing infrastructure and includes a substantial 290 sq km tenement package that encompasses more than 80km strike of prospective ultramafic contact, situated within a 35km radius of processing plant infrastructure.

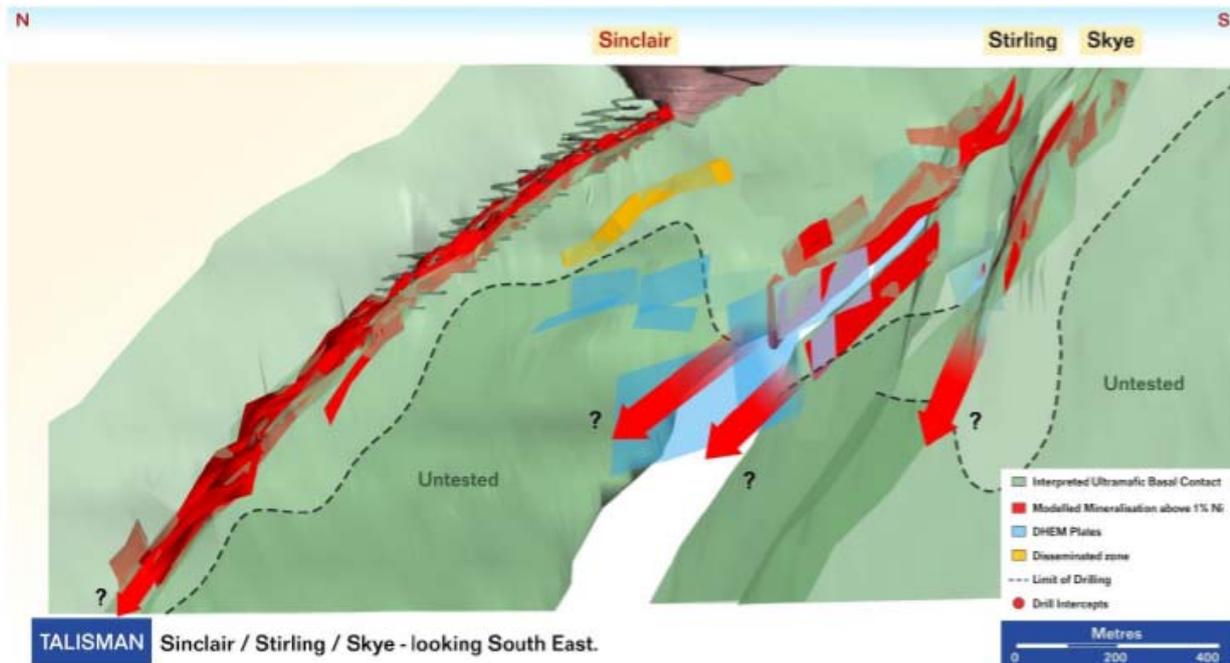


Figure 3: Oblique View of Sinclair Mine and Extensions

## Summary

We initiated coverage of Talisman Mining at a price around \$0.49 during September 2015.

The Sinclair project offers an exceptional nickel development and exploration opportunity, including potential immediate extensions of the deposit itself, advanced near-mine targets within close proximity of the existing mine infrastructure, as well as drill-ready emerging exploration prospects within a 30km radius of the mine. Importantly, it provides Talisman with a major production opportunity that complements its exciting and rapidly-advancing Springfield Project exploration activities.

Separately, the Maiden Resource at the company's Monty prospect within its Springfield JV with partner Sandfire Resources has confirmed 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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