

Tuesday 14th July, 2015

Talisman Mining – Further massive sulphides in Monty step-out hole – Maintain Speculative Buy

Talisman Mining (ASX: TLM, Share Price: \$0.615, Market Cap: \$81m) is one of our preferred exploration plays. We introduced the stock to our Portfolio during January 2014 at \$0.12 and our most recent coverage was during June. Talisman maintains an important exploration farm-out JV with Sandfire Resources (ASX: SFR) involving its flagship Springfield Project in WA, under which Sandfire can earn up to a 70% stake in three of Talisman's projects by spending at least \$15m over a 5½-year period.

Talisman rose by 13% today after announcing further massive sulphide intercepts in an 80m step-out hole at its Monty prospect, comprising 9.2 metres of massive sulphides from 417.0m down-hole to 426.2m.



Market Significance

Talisman's share price has surged by around 300% over the past month as the market digests the potential significance of the massive sulphides revealed in its current drilling campaign at its Monty prospect - the first significant high-grade massive sulphide copper-gold mineralisation outside of the four known mineralised lenses at DeGrussa. Based on field observations by Sandfire, the massive sulphides intersected within hole TLDD0005 contain visible chalcopyrite and are similar to those observed in prior hole TLDD0004A, which returned 16.5m grading 18.9% Cu and 2.1g/t Au from 409.5m depth.

Announcement Detail

In our prior coverage on 25th June we highlighted the outstanding high-grade mineralisation obtained from Talisman's diamond drill-hole TLDD0004A at its Monty prospect. Final assay results returned an exceptional massive sulphide intercept comprising 16.5m grading 18.9% Cu and 2.1g/t Au from 409.5m to 426m down-hole (365m below surface vertical depth, not true width). Both the sizeable width and exceptional grade and tenor of the copper-gold mineralisation were extremely encouraging.

Talisman announced on Tuesday that the keenly-anticipated first follow-up/step-out hole, TLDD0005, had intersected 9.2 metres of massive sulphides from 417.0m down-hole to 426.2m (including 0.7m of laminated siltstone with disseminated chalcopyrite from 423.3m to 424.0m). TLDD0005 is located around 80 metres southwest along strike from prior hole TLDD0004A.



Technical Significance

Whilst assay results are not yet known, the identification of massive sulphides in the immediate step-out hole is enormously encouraging. Adding to confidence is the fact that the massive sulphides intersected within TLDD0005 contain visible chalcopyrite and are similar to those observed within TLDD0004A.

Drilling is continuing in order to provide stratigraphic control across the sequence and correlate with the information obtained from TLDD0004A, which was recently completed to a final down-hole depth of 817m. Down-hole electromagnetic (DHEM) surveys will also be undertaken upon completion.

The encouraging results so far from the first two holes have led to the decision to drill a third step-out hole, TLDD0006, a further 80 metres along strike to the south-west, with drilling expected to commence next week. Sandfire is considering allocating additional diamond drilling capacity to the Monty discovery over the coming weeks and has commenced approvals to enable it to commence 24/7 drilling operations.

Project Overview

As we have discussed since our initial coverage 18 months ago, a lot of hard work and money (more than \$20m worth) have been invested by Talisman into its Doolgunna project acreage over the past five years. Whilst some might describe Monty as somewhat of an ‘overnight success’, the reality is that it’s the results of a high level of meticulous exploration and appraisal planning and activity.

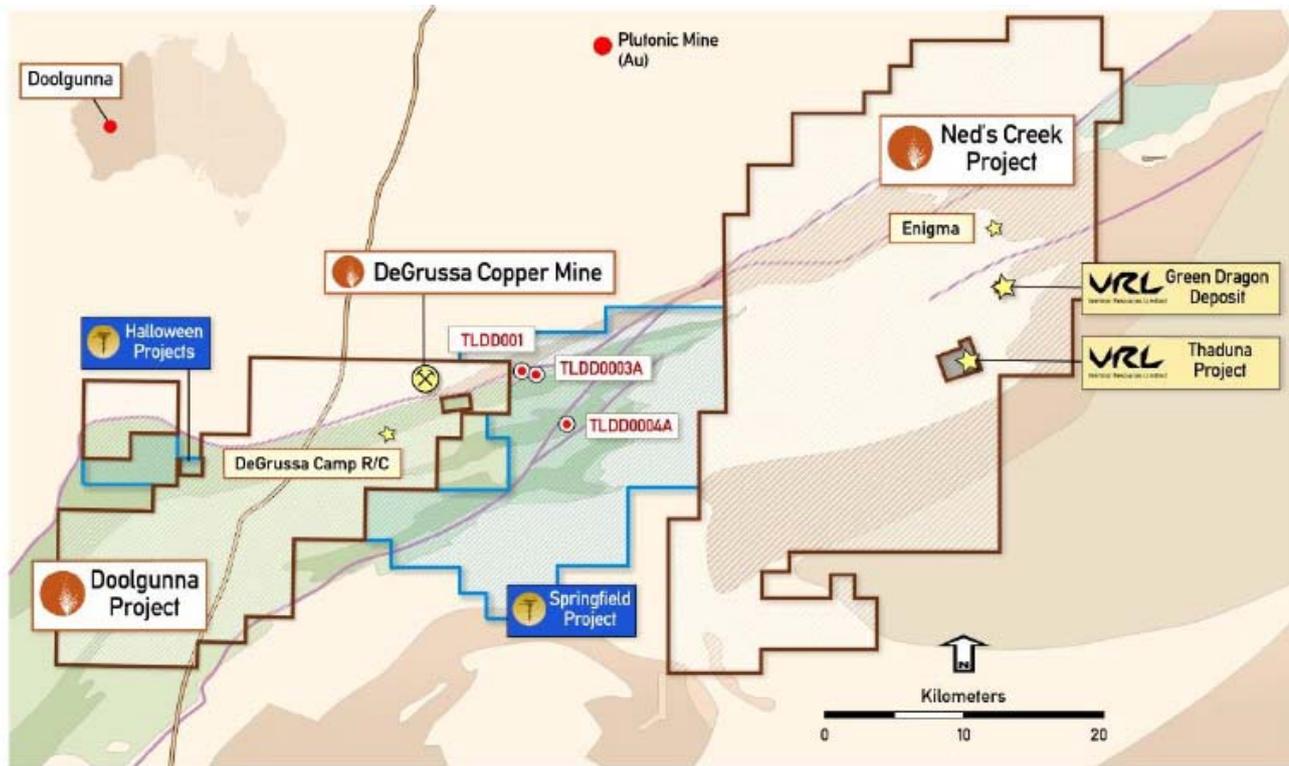


Figure 1: Plan view of Sandfire’s Greater Doolgunna Project, showing the Springfield Project and the location of drill hole TLDD0004A (in progress)

Recent exploration momentum was generated by diamond drill-hole TLDD0002A, which tested a subtle, discrete off-hole electromagnetic (EM) conductor previously identified by both a high-powered surface FLEM survey and a high-powered DHEM survey on a historical Talisman drill-hole, SPD021. A subsequent high-powered DHEM survey of TLDD0002A identified a highly-conductive, late-time anomaly situated around 15 metres off-hole – potentially indicative of an accumulation of mineralised massive sulphides. Follow-up diamond hole TLDD0004A confirmed high-grade copper and gold mineralization.

Summary

Talisman has put enormous effort over the past five years into its overall exploration approach, its review of exploration models and prioritisation of exploration targets. It has also boosted its overall cash position by \$8m following a placement to sophisticated investors priced at \$0.47. The results being generated by the current diamond drilling program at Monty are outstanding and justify us maintaining our Speculative Buy recommendation around current price levels for those investors without existing exposure.

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