



TALISMAN MINING LTD

Talisman Mining Limited

ABN 71 079 536 495

**Financial report for the half-year ended
31 December 2007**

Prepared by:


ORDNEXIA
CHARTERED ACCOUNTANTS

Corporate Directory

Board of Directors

Mr Alan Senior - Non Executive Chairman
Mr Steven Elliott - Managing Director
Dr Michael Bunyard - Non Executive Director

Company Secretary

Mr Darren Crawte

Registered Office

Level 2, 47 Colin Street
WEST PERTH WA 6005

Principal Office

Ground Level
6 Centro Avenue
SUBIACO WA 6008
Tel + 61 8 9380 4230
Fax + 61 8 9382 8200

Solicitors

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Auditor

HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Share Registry

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

Stock Exchange Listing

Australian Securities Exchange
Home Exchange: Perth, Western Australia
Code: TLM

Website

www.talismanmining.com.au

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Directors' report

The directors of Talisman Mining Limited submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company who have held office during and since the end of the half year are:

Name

Mr Alan Senior	- Appointed 7 November 2007
Mr Steven Elliott	
Dr Michael Bunyard	- Appointed 31 July 2007
Mr Ian Macpherson	- Resigned 7 November 2007
Mr Michael Hannington	- Resigned 31 July 2007

Review of operations

CORPORATE

During the six month period 1 July 2007 to 31 December 2007, Company corporate activities were focused on the raising of the necessary capital to continue exploration and evaluation of the Company's mineral leases in Western Australia. A placement was completed raising \$9,000,000 through the issue of 9,000,000 fully paid ordinary shares.

Ian Macpherson and Michael Hannington resigned from the Board and Alan Senior and Michael Bunyard were appointed to the Board.

The proposed IPO and listing of Protal Metals Group Ltd, a joint venture between Talisman Mining Ltd and Proto Resources and Investments Ltd, has been postponed pending improvements in the financial markets.

MINERAL PROJECTS

WONMUNNA PROJECT (100% Talisman)

Iron

During the six month period Talisman made the strategic decision to shift exploration focus from gold and base metals to iron. Considerable potential for economic iron ore mineralisation had previously been recognized at the Wonmunna project.

Exploration activities completed during the reporting period were focused on initial drill evaluation of the Northern Marra Mamba (NMM) and Central CID (CCID) prospects. Focus subsequently shifted to the NMM prospect when it was realized that the CCID is predominantly thin and of low grade.

Reconnaissance Reverse Circulation (RC) drill holes were completed at nominal 100m intervals along pre-existing tracks. A total of 105 vertical drill holes have been completed with assay results received for 86 of these drill holes.

The reconnaissance drilling has intersected substantial mineralisation with numerous intercepts of >50% iron to 36m @ 58.84% iron (including 20m @ 61.41% iron). The reconnaissance drilling of this prospect has been completed with resource drilling and reconnaissance drilling of other prospects commencing in March, 2008.

Base Metals

First pass evaluation RC drilling of previously defined soil geochemical anomalies was completed during the reporting period.

Significant mineralisation was intersected in both oxidised and fresh (unweathered) shales of the Jeerinah Formation. Intercepts up to 19m @ 0.43% copper were reported in the oxide zone and up to 1m @ 1.63% copper in fresh sulphidic black shale.

Further work on the base metal potential of the project has been suspended in order to focus on iron ore.

TRILLBAR PROJECT (80% Talisman)

Iron

Reconnaissance outcrop sampling of Banded Iron Formations (BIF) was completed to determine the potential of the area for economic iron mineralisation. Two BIFs were identified at the Seabrook (SIF) and Northern Iron Formation (SIF) prospects.

The SIF reported predominantly low-grade (<40% iron) with rare occurrences to 59.66% iron.

Conversely, the NIF appears to comprise almost pure massive hematite averaging (3 samples) 68.12% iron. A gravity survey is in progress with the object of defining, in this poorly outcropping formation, targets for follow up drill evaluation.

NEW PROJECTS

WANDANYA (100% Talisman)

Initial outcrop sampling at this newly pegged area has been successful in locating significant manganese mineralisation assaying up to 64.96% manganese. Situated only 50km southwest of the Consolidated Minerals Woodie Woodie manganese operations, this project is considered to offer considerable potential for the definition of a substantial manganese resource.

YAMADA (100% Talisman)

This newly acquired project area in the Nabberu Basin, Western Australia, is considered to have potential for the definition of substantial iron mineralisation associated with the Frere Iron Formation. Initial reconnaissance rock geochemistry, severely restricted by limited outcrop, confirmed this potential with assays from outcrop up to 61.77% iron.

YILGALONG (100% Talisman)

Pegged to evaluate a concept for gold and base metals mineralisation in the East Pilbara region, this area has previously reported outcrop assays to 68g/t gold and 1030g/t silver (from separate samples). Stream sediment geochemistry completed by the Company has defined several areas of strong gold and copper anomalism. Follow up soil geochemistry is in progress.

EAST KIMBERLEY (100% Talisman)

Situated only 20km west of the Sally Malay nickel mine in the East Kimberley region, this tenement was pegged to explore for nickel, gold and base metals. Initial stream sediment geochemistry has defined a number of areas with anomalous nickel, copper, zinc, gold and/or silver. A single rock sample assayed 5% copper and 694.5g/t silver.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 and forms part of the directors' report for the half year ended 31 December 2007.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Steven Elliott
Managing Director
11 March 2008

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Talisman Mining Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Talisman Mining Limited.



Perth, Western Australia
11 March 2008

L DI GIALLONARDO
Partner, HLB Mann Judd

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of
TALISMAN MINING LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2007, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Talisman Mining Limited ("the company").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talisman Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Talisman Mining Limited on 11 March 2008.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Talisman Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

Perth, Western Australia
11 March 2008

L DI GIALLONARDO
Partner

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Steven Elliott
Managing Director

11 March 2008

Condensed income statement for the half-year ended 31 December 2007

	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Revenue	36,381	25,605
Share of net loss of associate accounted for using the equity method	(2,653)	-
Provision for impairment of investment in associate	(141,908)	-
Employee benefit expense	(85,723)	(378,151)
Finance costs	(3,003)	(66)
Depreciation	(13,797)	(7,501)
Consulting expense	(7,280)	(44,696)
Occupancy expense	(71,225)	(24,762)
Administration expenses	(231,150)	(66,648)
Loss before income tax expense	(520,358)	(496,219)
Income tax expense	-	-
Loss for the period	(520,358)	(496,219)
Loss per share:		
Basic (cents per share)	1.13	1.29

Diluted earnings per share is not disclosed as the company incurred a loss and the options are not deemed to be dilutive.

Notes to the financial statements are included on pages 11 to 12.

Condensed balance sheet as at 31 December 2007

	Note	31 Dec 2007 \$	30 June 2007 \$
Current assets			
Cash and cash equivalents		10,641,740	667,310
Trade and other receivables		115,181	55,541
Total current assets		10,756,921	722,851
Non-current assets			
Property, plant and equipment		98,220	84,592
Exploration, evaluation and development		4,444,517	3,406,682
Investments accounted for using the equity method		-	1
Total non-current assets		4,542,737	3,491,275
Total assets		15,299,658	4,214,126
Current liabilities			
Trade and other payables		258,412	141,050
Borrowings		13,697	22,972
Provisions		25,848	29,160
Total current liabilities		297,957	193,182
Non-current liabilities			
Borrowings		27,146	16,684
Total non-current liabilities		27,146	16,684
Total liabilities		325,103	209,866
Net assets		14,974,555	4,004,260
Equity			
Issued capital	3	8,110,399	4,933,096
Share application proceeds	2	8,552,200	421,500
Reserves	3	707,315	524,665
Accumulated losses		(2,395,359)	(1,875,001)
Total equity		14,974,555	4,004,260

Notes to the financial statements are included on pages 11 to 12.

Condensed statement of changes in equity for the half year ended 31 December 2007

		2007	2006
	Note	\$	\$
Total equity at the beginning of the period		4,004,260	2,624,942
Loss for the half year		(520,358)	(496,219)
Total recognised income and expense for the period		3,483,902	2,128,723
Transactions with equity holders in their capacity as equity holders			
Issue of options	3	182,650	479,135
Issue of shares and share application proceeds	3	11,565,566	1,280,000
Shares issue expenses	3	(257,563)	(146,226)
		11,490,653	1,612,909
Total equity at the end of the period		14,974,555	3,741,632

Notes to the financial statements are included on pages 11 to 12

Condensed cash flow statement for the half-year ended 31 December 2007

	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Cash flows from operating activities		
Payments to suppliers and employees	(313,595)	(207,042)
Interest received	36,199	25,605
Interest and other costs of finance paid	(3,004)	(66)
Net cash used in operating activities	<u>(280,400)</u>	<u>(181,503)</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(27,425)	(3,762)
Payment for exploration and evaluation	(865,363)	(1,095,264)
Payment for equity investments	(144,560)	-
Net cash used in investing activities	<u>(1,037,348)</u>	<u>(1,099,026)</u>
Cash flows from financing activities		
Proceeds from issues of equity securities	3,013,366	1,254,326
Payment for share issue costs	(257,563)	(104,226)
Repayment of borrowings	(15,825)	-
Proceeds from share applications	8,552,200	-
Net cash provided by financing activities	<u>11,292,178</u>	<u>1,150,100</u>
Net increase/(decrease) in cash and cash equivalents	9,974,430	(130,429)
Cash and cash equivalents at the beginning of the half-year	667,310	1,361,687
Cash and cash equivalents at the end of the half-year	<u>10,641,740</u>	<u>1,231,258</u>

Notes to the financial statements are included on pages 11 to 12

Notes to the financial statements for the half-year ended 31 December 2007

1. Accounting policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2007:

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies.

2. Subsequent events

On 10 January 2008, the Company issued 9,000,000 ordinary shares at \$1.00 per share pursuant to a private placement. \$8,550,000 was received by 31 December 2007 prior to the shares being issued and has been disclosed as share application proceeds on the balance sheet.

On 11 January 2008, the Company issued 21,000 ordinary shares at 20 cents per share pursuant to the exercise of 21,000 listed options exercisable at 20 cents on or before 31 December 2010. \$2,200 was received by 31 December 2007 prior to the shares being issued and has been disclosed as share application proceeds on the balance sheet.

On 23 January 2008, the Company issued 100,000 ordinary shares at 20 cents per share pursuant to the exercise of 100,000 listed options exercisable at 20 cents on or before 31 December 2010.

On 5 March 2008, the Company announced that the proposed IPO and listing of Protal Metals Group Ltd, a joint venture between Talisman Mining Ltd and Proto Resources and Investments Ltd, has been postponed pending improvements in the financial markets.

3. Issuances, repurchases and repayments of securities

Fully paid ordinary shares:

	31 December 2007		31 December 2006	
	No.	\$	No.	\$
Balance at beginning of period	45,504,671	4,933,096	36,798,006	3,740,632
Acquisitions of project	-	-	1,000,000	160,000
Placement	-	-	7,000,000	1,120,000
Placement	14,999,994	2,099,999	-	-
Exercise of listed options	451,834	90,367	-	-
Exercise of unlisted options	4,978,000	1,244,500	-	-
Share issue costs	-	(257,563)	-	(146,226)
Balance at end of period	65,934,499	8,110,399	44,798,006	4,874,406

Option reserves:

	31 December 2007		31 December 2006	
	No.	\$	No.	\$
Balance at beginning of period	24,282,668	479,135	3,900,000	-
Entitlements offer (listed options)	-	-	13,432,668	134,326
Placement fee (listed options)	-	-	4,200,000	42,000
Directors remuneration	-	-	2,750,000	302,809
Placements offer (listed options)	4,999,971	-	-	-
Placements fee (listed options)	3,000,000	182,650	-	-
Employee remuneration	550,000	45,530	-	-
Exercise of listed options	(451,834)	-	-	-
Exercise of unlisted options	(4,978,000)	-	-	-
Balance at end of period	27,402,805	707,315	24,282,668	479,135

4. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2007 annual financial report.

Key management personnel continue to receive compensation in the form of short term employee benefits, post employment benefits and share based payments.