



Talisman Mining Limited

ABN 71 079 536 495

**Financial report for the half-year ended
31 December 2008**

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Corporate Directory

Board of Directors

Mr Alan Senior	Non Executive Chairman
Mr Gary Lethridge	Managing Director
Dr Michael (Mick) Bunyard	Non Executive Director
Ms Karen Gadsby	Non Executive Director

Company Secretary

Mr Darren Crawte

Registered Office

Level 1, 47-49 Stirling Highway
NEDLANDS WA 6009

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
150 Stirling Highway
NEDLANDS WA 6009

Stock Exchange

Australian Securities Exchange Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH, Western Australia 6000
ASX Code: TLM, TLMO

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Directors' report

The directors of Talisman Mining Limited submit herewith the financial report for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the Company who have held office during or since the end of the half year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Mr Alan Senior	Non Executive Chairman	
Mr Gary Lethridge	Managing Director	Appointed 2 February 2009
Dr Mick Bunyard	Non Executive Director	
Ms Karen Gadsby	Non Executive Director	
Mr Steven Elliott	Managing Director	Resigned 24 November 2008

Review of operations

During the six month period the Company continued its mineral exploration activities with a primary focus on advancing the Wonmunna iron ore project. In late August 2008, the Company announced an initial JORC compliant resource at its North Marra Mamba (NMM) prospect at the Wonmunna iron ore project.

The remainder of the period saw exploration activities concentrating on resource definition drilling at the Central Marra Mamba (CMM) and South Marra Mamba (SMM) prospects within the Wonmunna iron ore project. This work culminated in the announcement on 21 January 2009 of an increase of approximately 80% in the total JORC compliant resource for the Wonmunna iron ore project.

Towards the end of the period, the Company commenced a desktop scoping study on the Wonmunna iron ore project to define potential future development strategies.

Additionally, the Company also undertook exploration activities at some of its other exploration projects located within Western Australia during the period.

Information in the review of operations that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Harry Cornelius, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Harry Cornelius consents to the inclusion in the review of operations of the matters based on information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 and forms part of the directors' report for the half - year ended 31 December 2008.

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

On behalf of the Directors



Alan Senior
Chairman
13 March 2009



Accountants | Business and Financial Advisers

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 2008, 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.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
13 March 2009

L DI GIALLONARDO
Partner, HLB Mann Judd



Accountants | Business and Financial Advisers

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 2008, 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 ("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 Interim and Other Financial Reports 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 2008 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.

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001

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 as at 31 December 2008 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
13 March 2009

L DI GIALLONARDO
Partner

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Directors' declaration

In the opinion of the directors of Talisman Mining Limited ("the Company"):

1. The financial statements and notes thereto, as set out on page 6 to 12, are in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors



Alan Senior
Chairman

13 March 2009

Condensed income statement for the half-year ended 31 December 2008

	<u>Note</u>	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
Revenue		154,461	36,381
Employee benefits expense		(1,091,798)	(85,723)
Consulting expense		(25,635)	(7,280)
Occupancy expense		(78,009)	(71,225)
Administration expenses		(314,868)	(231,150)
Finance costs		(1,750)	(3,003)
Depreciation		(18,086)	(13,797)
Impairment of exploration expenditure		(609,003)	-
Share of net loss of associate accounted for using the equity method		-	(2,653)
Provision for impairment of investment in associate		-	(141,908)
Loss before income tax expense	2	(1,984,688)	(520,358)
Income tax expense		-	-
Loss for the period		(1,984,688)	(520,358)
Loss per share:			
Basic (cents per share)		2.63	1.13

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 10 to 12.

Condensed balance sheet as at 31 December 2008

	Note	31 Dec 2008 \$	30 June 2008 \$
Current assets			
Cash and cash equivalents		4,236,318	7,388,898
Trade and other receivables		324,851	416,525
Total current assets		4,561,169	7,805,423
Non-current assets			
Property, plant and equipment		148,905	137,444
Exploration and evaluation expenditure	3	9,020,704	6,930,307
Total non-current assets		9,169,609	7,067,751
Total assets		13,730,778	14,873,174
Current liabilities			
Trade and other payables		134,982	213,250
Borrowings		6,628	21,154
Provisions		60,064	26,568
Total current liabilities		201,674	260,972
Non-current liabilities			
Borrowings		5,993	5,993
Total non-current liabilities		5,993	5,993
Total liabilities		207,667	266,965
Net assets		13,523,111	14,606,209
Equity			
Issued capital	4	16,493,284	16,458,284
Reserves	5	2,656,686	1,790,096
Accumulated losses		(5,626,859)	(3,642,171)
Total equity		13,523,111	14,606,209

Notes to the financial statements are included on pages 10 to 12.

Condensed statement of changes in equity for the half year ended 31 December 2008

	Fully paid ordinary shares \$	Share application proceeds \$	Option premium reserve \$	Share-based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2007	4,933,096	421,500	176,326	348,339	(1,875,001)	4,004,260
Loss for the period	-	-	-	-	(520,358)	(520,358)
Total recognised income and expense	-	-	-	-	(520,358)	(520,358)
Issue of shares	3,434,866	-	-	-	-	3,434,866
Receipt of share application proceeds	-	8,130,700	-	-	-	8,130,700
Share issue costs	(257,563)	-	-	182,650	-	(74,913)
Balance at 31 December 2007	8,110,399	8,552,200	176,326	530,989	(2,395,359)	14,974,555
Balance at 1 July 2008	16,458,284	-	176,326	1,613,770	(3,642,171)	14,606,209
Loss for the period	-	-	-	-	(1,984,688)	(1,984,688)
Total recognised income and expense	-	-	-	-	(1,984,688)	(1,984,688)
Recognition of share-based payments	-	-	-	866,590	-	866,590
Issue of shares	35,000	-	-	-	-	35,000
Balance at 31 December 2008	16,493,284	-	176,326	2,480,360	(5,626,859)	13,523,111

Notes to the financial statements are included on pages 10 to 12.

Condensed cash flow statement for the half-year ended 31 December 2008

	Half-year ended 31 Dec 2008 \$	Half-year ended 31 Dec 2007 \$
Cash flows from operating activities		
Payments to suppliers and employees	(560,915)	(313,595)
Interest received	105,075	36,199
Interest and other costs of finance paid	(164)	(3,004)
Research and development tax rebate	146,754	-
Net cash used in operating activities	<u>(309,250)</u>	<u>(280,400)</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(30,055)	(27,425)
Proceeds from sales of property, plant and equipment	500	-
Payment for exploration and evaluation	(2,832,663)	(865,363)
Payment for equity investments	-	(144,560)
Net cash used in investing activities	<u>(2,862,218)</u>	<u>(1,037,348)</u>
Cash flows from financing activities		
Proceeds from issues of equity securities	35,000	3,013,366
Payment for share issue costs	-	(257,563)
Repayment of borrowings	(16,112)	(15,825)
Proceeds from share applications	-	8,552,200
Net cash provided by financing activities	<u>18,888</u>	<u>11,292,178</u>
Net increase/(decrease) in cash and cash equivalents	(3,152,580)	9,974,430
Cash and cash equivalents at the beginning of the half-year	7,388,898	667,310
Cash and cash equivalents at the end of the half-year	<u>4,236,318</u>	<u>10,641,740</u>

Notes to the financial statements are included on pages 10 to 12.

Notes to the financial statements for the half-year ended 31 December 2008

1. Statement of significant accounting policies

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Talisman Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of Preparation

The half-year report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's financial report for the year ended 30 June 2008.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2008, the Company has reviewed 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 2008.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Company's accounting policies.

2. Loss before income tax expense

	31 December 2008 \$	31 December 2007 \$
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The following expense items are relevant in explaining the financial performance for the half-year:

Share-based payments	866,590	-
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3. Exploration and evaluation expenditure

	31 December 2008 (6 months) \$	30 June 2008 (12 months) \$
Balance at 1 July	6,930,307	3,406,682
Expenditure incurred	2,699,400	3,767,463
Impairment of expenditure	(609,003)	(243,838)
Balance at end of period	9,020,704	6,930,307

4. Issued capital

Fully paid ordinary shares:

	31 December 2008		30 June 2008	
	No.	\$	No.	\$
Balance at beginning of period	75,288,047	16,458,284	45,504,671	4,933,096
Exercise of options at 20 cents	175,000	35,000	-	-
Share placement at 14 cents	-	-	14,999,994	2,100,000
Exercise of options at 20 cents	-	-	805,382	161,076
Exercise of options at 25 cents	-	-	4,978,000	1,244,500
Share placement at \$1.00	-	-	9,000,000	9,000,000
Share issue costs	-	-	-	(980,388)
Balance at end of period	75,463,047	16,493,284	75,288,047	16,458,284

5. Reserves

	31 December 2008		30 June 2008	
	No.	\$	No.	\$
Balance at beginning of period	36,449,257	1,790,096	24,832,668	524,665
Directors remuneration ¹	-	866,590	-	-
Exercise of listed options	(175,000)	-	-	-
Placements offer (listed options)	-	-	4,999,971	-
Placements fee (listed options)	-	-	3,000,000	182,650
Placements fee (unlisted options)	-	-	1,000,000	466,400
Directors remuneration	-	-	8,000,000	595,234
Employees remuneration	-	-	400,000	21,147
Exercise of listed options	-	-	(805,382)	-
Exercise of unlisted options	-	-	(4,978,000)	-
Balance at end of period	36,274,257	2,656,686	36,449,257	1,790,096

¹Amounts credited to the share based payments reserve represent the vested portion for the current half-year of the directors options that were granted during the 2008 financial year.

6. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

7. Events subsequent to reporting date

There have been no material events subsequent to reporting date.

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