

28 July 2009

The Manager  
Company Announcements Office  
Australian Securities Exchange

By Electronic Lodgment

**REPORT FOR QUARTER ENDED 30 JUNE 2009 AND APPENDIX 5B**

Please find attached Talisman Mining Limited's Report for the Quarter Ended 30 June 2009 and Appendix 5B.

Yours sincerely



**Gary Lethridge**  
Managing Director

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## REPORT FOR QUARTER ENDED 30 JUNE, 2009

### HIGHLIGHTS

#### PROJECTS

##### Wonmunna Iron Project

- Completion of the Wonmunna Scoping Study by AMC Consultants during the Quarter. The Scoping Study concluded that the Wonmunna Project is potentially economic based on a number of high-grade and low-grade options with ore sold to nearby mines at production rates of 2 Mtpa to 5 Mtpa
- The Scoping Study considered multiple operating scenarios, estimating associated mining, processing, transportation and other capital and operating costs for each scenario to an accuracy of +/-30%.

#### EXPLORATION

##### Sakaladis Project

- The Sakaladis Project is located immediately along strike of Sandfire Resources' Doolgunna project, where drilling by Sandfire has intersected high grade massive copper sulphide mineralisation. The Project is located approximately 150 kms north east of Meekatharra in Western Australia.
- Initial exploration activities by Talisman has identified the continuation of the highly prospective Narracoota Volcanics Formation, which hosts Sandfire's new discovery, onto Talisman's project with a potential strike length of approximately 25kms.

#### CORPORATE

##### Board Changes

- Experienced Australian mining executives Peter Langworthy and Brian Dawes (former senior executives with Jubilee Mines NL) appointed as executive directors.
- Resignation of non-executive director, Dr Michael (Mick) Bunyard.

##### Capital Raising

- To strengthen the Company's working capital position and to underpin its growth strategy, Talisman undertook a share placement to raise a total of approximately **\$5.261 million** (before issue costs) in two tranches comprising the issue of in excess of 17.539 million shares at 30 cents each (partially subject to shareholder approval).
- The share placement was strongly supported by existing shareholders (including major shareholder, Kerry Harmanis, the former Executive Chairman of Jubilee Mines NL), directors and new investors.

**HIGHLIGHTS (Continued)**

**CORPORATE (Continued)**

**Option Issue**

- Subsequent to the end of the Quarter, shareholders approved the issue of incentive options to Messrs Langworthy and Dawes.

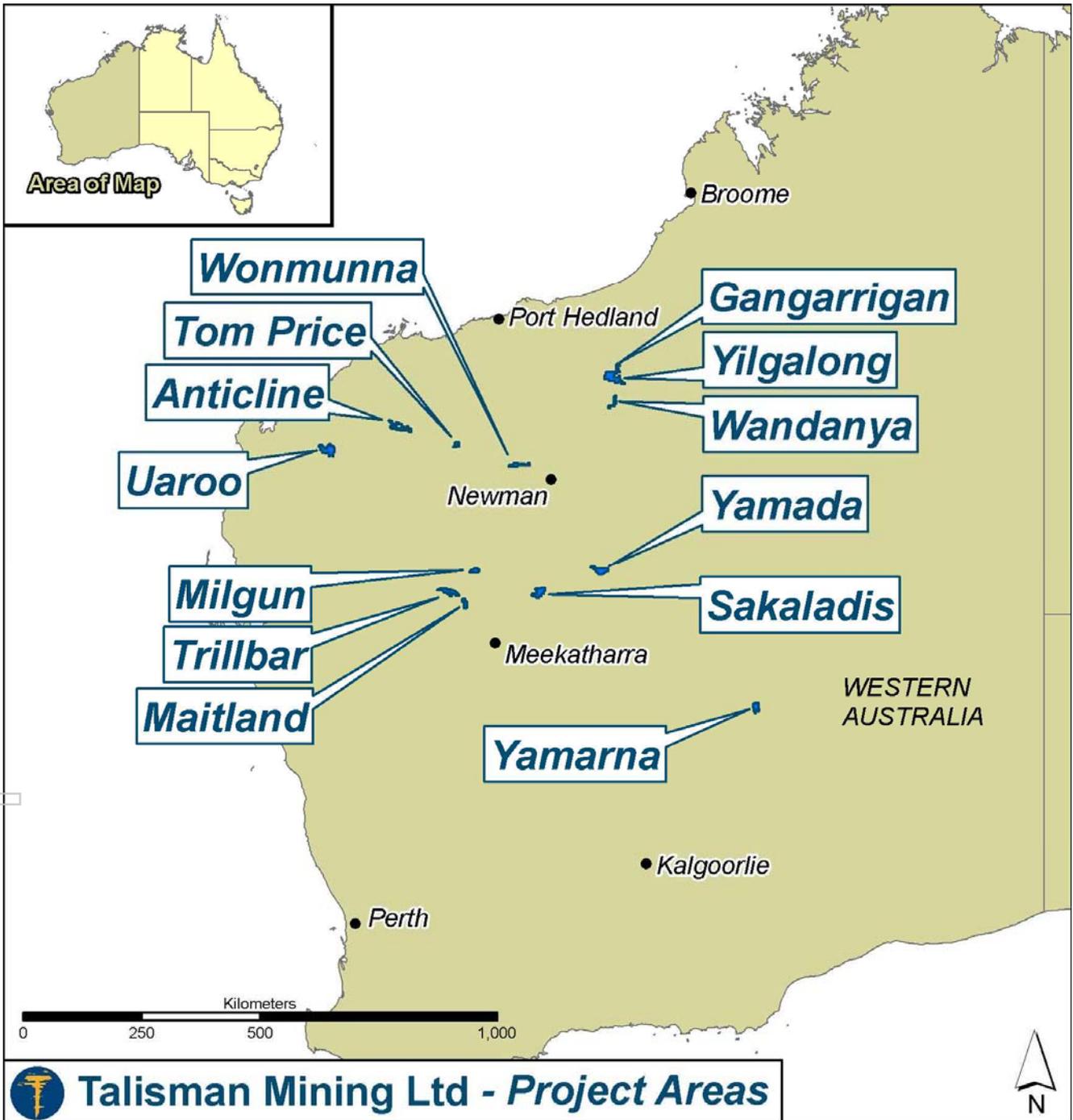


Figure 1: Project Location Summary Plan

## OVERVIEW

### Projects

Key project focussed activities undertaken during the June 2009 Quarter included:

- The completion, by AMC Consultants, of the desktop Scoping Study on the **Wonmunna Iron Ore Project** which assessed potential development strategies and considerations for that project; and
- A review of potential strategies to realise value from the manganese assets owned by Talisman in close proximity to the Woodie Woodie Operations.

### Exploration

Key exploration activities undertaken during the June 2009 Quarter included:

- The initiation of field reconnaissance exploration and preliminary geological evaluation activities at the Company's wholly owned **Sakaladis Project** following the discovery of high grade massive copper sulphide mineralisation by Sandfire Resources Limited at its Dolgunna Project in the Murchison region of Western Australia;
- The assessment and evaluation of the entire exploration portfolio during the quarter as part of a strategic reassessment process focussed on determining whether existing projects fitted the Company's 'quality first' business model; and
- An accelerated program to identify, evaluate and assess new opportunities; primarily focussed upon nickel sulphide exploration projects.

### Corporate

- During the Quarter Talisman restructured its Board with the appointment of **Peter Langworthy** and **Brian Dawes**, who respectively held the key roles of Executive General Manager – Exploration, and Executive General Manager – Operations and Projects with Jubilee Mines NL, as executive directors of the Company, whilst **Dr Mick Bunyard** resigned as a non-executive director of the Company.
- Talisman also undertook a private placement to sophisticated investors during the Quarter raising approximately \$5.2 million before the costs of issue. Subsequent to Quarter end shareholders approved and ratified the share placement.

## PROJECTS

### WONMUNNA IRON ORE PROJECT (100% Talisman)

*The Wonmunna Iron Project is strategically located in the heartland of the East Pilbara iron ore mining industry, with three major operating iron ore mines (West Angelas, Area C and Hope Downs) located within 20km of the lease boundary. The Wonmunna Project comprises three primary iron deposits, (North Marra Mamba, Central Marra Mamba and South Marra Mamba). To date, JORC inferred resources totalling 78.3Mt @ 56.0% (50% Fe lower cut-off) have been estimated for the Project.*

During the Quarter Talisman received the **Wonmunna Scoping Study**, undertaken by AMC Consultants Pty Ltd which was commissioned by the Company in late 2008. The Scoping Study considered 54 potential operating scenarios for the Wonmunna Project, estimating associated mining, processing, transportation and other capital and operating costs for each scenario to an accuracy of +-30% commensurate with the usual degree of accuracy for such Studies.

The Scoping Study was based on the previously announced Inferred Mineral Resource estimate for the Wonmunna Project (at a 50% Fe cut-off grade) of **78.3 million tonnes grading 56.0% Fe, 6.6% Si<sub>2</sub>O<sub>3</sub>, 3.6% Al<sub>2</sub>O<sub>3</sub>, 0.08% P and 9.2% LOI**. This Inferred Mineral Resource estimate includes a high-grade Direct Shipping Ore (DSO) component (using a 60% Fe cut-off grade) of **10.0 million tonnes grading 61.3% Fe, 3.1% Si<sub>2</sub>O<sub>3</sub>, 1.7% Al<sub>2</sub>O<sub>3</sub>, 0.08% P and 7.3% LOI** (See ASX resource announcement dated 21 January 2009).

Pit optimisations were conducted by AMC using both the high-grade (60% Fe cut-off grade) and lower-grade (50% Fe cut-off grade) resource models, enabling both high-grade mining scenarios with relatively short mine life and lower-grade mining scenarios with a longer mine life to be assessed. Mining and processing scenarios considered a suite of operating options based on owner and/or contract operations.

Scoping studies generally are relatively high level technical and economic assessments of various potential development and operating pathways for mineral resources projects that provide an opportunity to identify preferable development and operating scenarios for more detailed and focused assessment in the future.

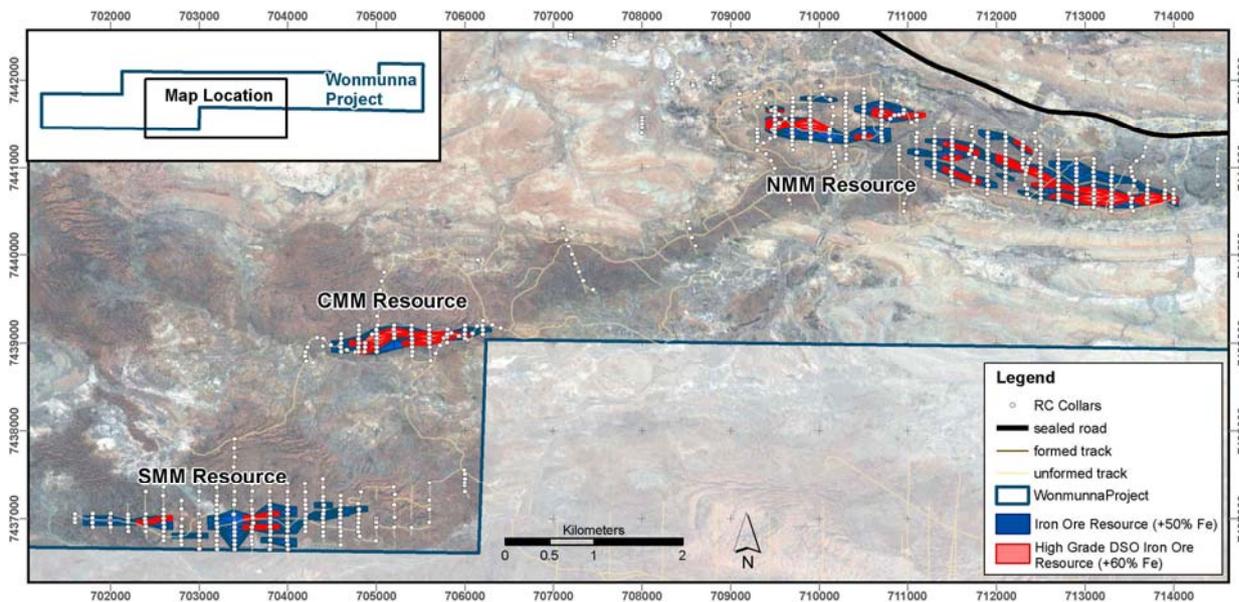
The Scoping Study concluded that the Wonmunna Project is potentially economic based on high-grade and low-grade options with ore sold to nearby mines at production rates of 2 Mtpa to 5 Mtpa.

Talisman believes the results of the AMC Scoping Study on the Wonmunna Project are encouraging and in light of this, the Company is continuing to evaluate the project including considering strategic alternatives related to marketing and sales options for Wonmunna. This may include the potential for mine gate sales, infrastructure sharing or other arrangements, strategic options for a joint venture, or other mechanism to realise value from the Wonmunna Project.

During the Quarter metallurgical testwork and ore characterisation studies were undertaken on CID (Channel Iron Deposit) mineralisation that overlies all three defined bedded iron JORC Resources (the NMM, CMM and SMM Resources) at Womunna as shown in **Figure 2**.

This testwork was carried out by Mets Pty Ltd, and results indicated limited potential to define economic CID mineralisation in the Project.

Ongoing study on the Project during the Quarter comprised interpretation of geological mapping and mineralogical investigations.



**Figure 2: Location of Womunna Iron Ore Resources.**

**MANGANESE PROJECTS** (100% Talisman)

Talisman has recently consolidated a number of key projects (Wandanya, Gangarrigan and Yilgalong) that are prospective for manganese deposits in relatively close proximity to the Woodie Woodie Manganese Mine in the East Pilbara Mineral Field.

The projects are well located with regard to access and infrastructure and as such provide a significant opportunity to realise value in the short to medium term.

Options to advance these projects are currently being considered.

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## EXPLORATION

### SAKALADIS PROJECT (100% Talisman)

*The Sakaladis Project is located in the northern Murchison gold field, approximately 150km north east of Meekatharra, and adjacent to the Sandfire Resources Ltd Doolgunna Project which hosts the recently discovered De Grussa Copper-Gold VMS Deposit. Initial reconnaissance exploration at Sakaladis has identified the existence of the same prospective upper Narracoota Volcanics Formation through the Sakaladis project area.*

The Sakaladis Project consists of two Exploration Licence Applications pegged by Talisman last year as part of a strategy targeting prospective formations within the Peak Hill district.

During the Quarter, work completed at Sakaladis included reconnaissance field investigations focussing primarily on lithostructural mapping, with some surface sampling including rock chipping and soil sampling also carried out. The aim of this work was to establish the presence and/or continuation of the prospective stratigraphy hosting the adjacent (5km to the west) **De Grussa VMS copper-gold deposit** recently defined by RC and diamond drilling by Sandfire Resources Ltd.

The results of Talisman's mapping work show that the prospective upper Narracoota Volcanics Formation (consisting of mafic volcanics and interfingering sediments) continues from Sandfire's De Grussa Prospect, along strike into Talisman's Sakaladis Project. This reconnaissance field work indicates that up to ~25km of strike of this prospective stratigraphy occurs with Talisman's Sakaladis Project around the margin of an interpreted large synclinal fold (**Figure 1**).

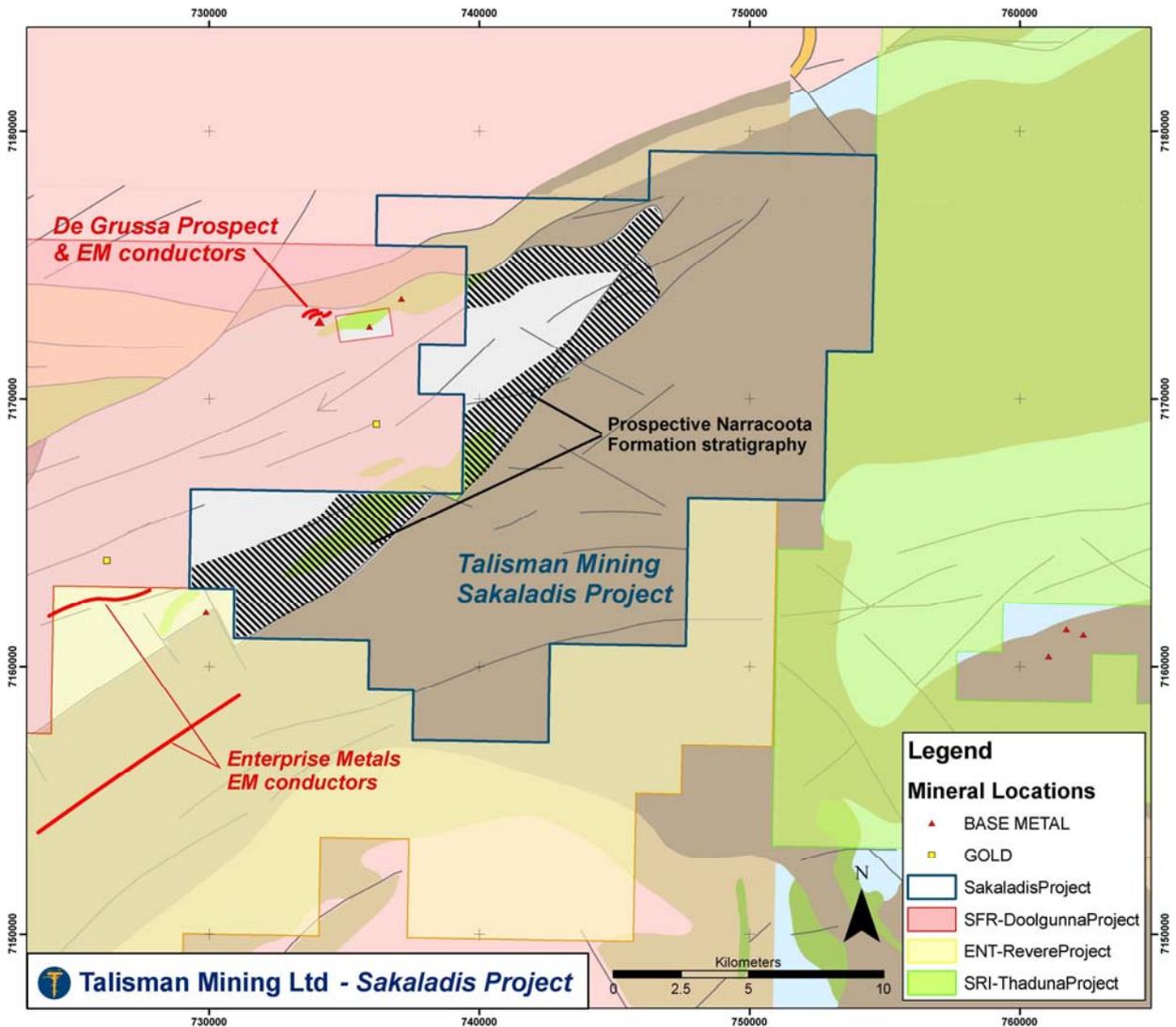
The existence of this prospective geological unit through the Sakaladis Project has not been completely recognised in published mapping. Talisman's reconnaissance mapping defines large areas of the prospective stratigraphy occurring under shallow cover within the project area. This mapping also showed the previously unrecognised existence of felsic volcanics within the project area, an essential component for the formation of bimodal-volcanic sourced VMS (Volcanic Massive Sulphide) copper-gold deposits.

It is important to note that these style of deposits typically occur as clusters of deposits.

Evaluation of the prospectivity of the Sakaladis Project is ongoing as a high priority, and a targeted approach to the definition of prospects is underway.

Following the grant of the Exploration Licences and the completion of all permitting requirements, programs of exploration to be undertaken are anticipated to include aircore drilling, acquisition of geophysical data (airborne magnetics and TEM), geochemical evaluation and detailed lithostructural and regolith mapping. Should these programs define targets, second phase programs would most likely consist of RC percussion and diamond drilling.

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**Figure 3: Location of Talisman’s Sakaladis Copper-Gold Project**

**UAROO POLYMETALLIC PROJECT (100% Talisman)**

The Uaroo Project lies within the Ashburton Mineral Field approximately 370km northeast of Carnarvon along the Northwest Coastal Highway near the Uaroo Homestead in Western Australia. The Project covers a prospective suite of rocks that have had little effective historic exploration for their gold and base metals potential.

To date work completed at Uaroo by Talisman has included drainage and rock chip sampling which has produced very encouraging initial exploration results.

Further desktop review and data compilation is ongoing prior to carrying out further field-based exploration activities.

## **YILGALONG PROJECT** (100% Talisman)

*The Yilgalong Project lies approximately 80km northeast of the township of Nullagine in Western Australia. The project covers a suite of rocks that have been under evaluated for their manganese potential.*

As part of the Company's strategic exploration portfolio review and evaluation process, soil sampling and rock chipping gold and base metals results from this project have been evaluated during the Quarter, along with all other pertinent project data in order to justify further material project expenditure.

The review recommended relinquishment of two tenements that form part of the Project primarily due to an assessment that those tenements have low prospectivity to host an economic gold deposit.

The Company at this stage intends to retain one granted exploration lease at the Project that may have prospectivity for manganese mineralisation.

## **EAST KIMBERLEY POLYMETALLIC PROJECT** (100% Talisman)

*The East Kimberley Project lies approximately 140km north of the township of Halls Creek in Western Australia. The project covers a suite of rocks to the west of the Savannah Nickel Mine.*

During the Quarter an independent geochemical expert assessed and evaluated previous stream sampling and rock chipping results from this Project along with all other pertinent project data as part of the Company's strategic exploration portfolio review and evaluation process.

The review process concluded that these stream sampling and rock chipping results were not supportive of strong prospectivity for nickel and other base metals potential. Consequently, a decision has been made subsequent to the end of the Quarter to relinquish Exploration Leases and Applications that comprise this Project.

## **TRILLBAR GOLD PROJECT** (80% Talisman)

*The Trillbar Project is located in the northern Murchison gold field, approximately 120km north west of Meekatharra. Exploration at Trillbar has defined the Boundary Gold JORC Resources (for 50,000 ozs gold) and has shown the existence of several other gold anomalies through the project area. The project is also prospective for iron-ore, talc and uranium.*

A desktop review of existing exploration data plus a consolidation of the Trillbar Project ground position was carried out during the Quarter.

The ground consolidation included the amalgamation of ground prospective for Iron-Ore (an extension to the Northern Iron Formation), gold (extensions to the Livingstone's Find gold workings) and talc (the Livingstone's Talc Deposit).

**ANTICLINE POLYMETALLIC PROJECT** (100% Talisman, Iron Ore rights held by FMG Ltd)

No exploration activities were completed during the Quarter.

**MAITLAND GOLD PROJECT** (80% Talisman)

No exploration activities were completed during the Quarter.

**MILGUN GOLD PROJECT** (100% Talisman)

No exploration activities were completed during the Quarter.

**TOM PRICE POLYMETALLIC PROJECT** (100% Talisman, Iron Ore rights held by FMG Ltd)

No exploration activities were completed during the Quarter.

**YAMADA IRON ORE PROJECT** (100% Talisman,)

No exploration activities were completed during the Quarter.

**YAMARNA GOLD PROJECT** (100% Talisman,)

No exploration activities were completed during the Quarter.

**NEW PROJECT OPPORTUNITIES**

During the Quarter new project opportunities continued to be assessed with a particular focus on advanced exploration ground that the Company considers prospective for high grade nickel sulphide mineralisation.

Talisman believes that with the experience and expertise of senior management relating to nickel sulphide exploration and mining, combined with the current state of the nickel industry, that significant opportunity exists to compile a portfolio of quality nickel sulphide exploration projects that have the potential to deliver a new discovery in the medium term.

It is planned that the identification and assessment of new advanced exploration opportunities will continue.

## CORPORATE

### Board Changes

During the Quarter Talisman significantly strengthened its senior management capabilities and depth of experience by appointing Peter Langworthy and Brian Dawes as executive directors of the Company.

As executive directors Mr Langworthy will provide his considerable expertise in exploration, geology and project assessment on a full time basis, while Mr Dawes will contribute his extensive expertise in project assessment, feasibility studies, development and operations on a part time consulting basis.

Also during the Quarter, Dr Michael (Mick) Bunyard resigned from the position of non-executive director of Talisman due to his other business commitments. The Company is appreciative of Mick's contribution to the Company during his time as a director and wishes him every success in the future.

### Capital Raising

In order to strengthen its working capital position and underpin its growth strategy, on 28 May, Talisman announced that it had commitments and undertakings to raise a total of approximately **\$5.261 million** (before issue costs) in two tranches through a share placement comprising in excess of 17.539 million shares at 30 cents each.

The first tranche of just over 11.3 million shares was issued soon thereafter as it was within the limit set out in the ASX Listing Rules under the Company's 15% placement capacity. The issue of the second tranche comprising approximately 6.2 million shares was issued subsequent to the end of the Quarter following receipt of shareholder approval at an EGM on 23 July. The placement shares rank pari passu with the Company's existing ordinary shares.

The share placement was strongly supported by existing shareholders (including major shareholder, Mr Kerry Harmanis, the former Executive Chairman of Jubilee Mines NL), directors and new investors.

### Option Issue

Subsequent to the end of the quarter, shareholders voted, at an EGM held on 23 July to approve the issue of incentive options to Messrs Langworthy and Dawes in accordance with their employment agreements. These options were issued on 24 July.

**For further information, please contact on: +61 8 9380 4230**

**Gary Lethridge – Managing Director**

**or**

**Peter Langworthy – Technical Director**

**For media inquiries, please contact:**

**Nicholas Read – Read Corporate on +61 419 929 046**

**Competent Persons' Statement**

*Information in this report 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 types of deposit under consideration and to the activities 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 this report of the matters based on information in the form and context in which it appears.*

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# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

30 JUNE 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(288)	(3,461)
(b) development	-	-
(c) production	-	-
(d) administration	(334)	(1,137)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	218
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid	-	-
1.7 Other (Research and Development Tax Rebate)	187	334
<b>Net Operating Cash Flows</b>	<b>(399)</b>	<b>(4,049)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(4)	(34)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	1	1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(33)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(402)</b>	<b>(4,082)</b>

1.13	Total operating and investing cash flows (brought forward)	(402)	(4,082)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	3,396	3,430
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(1)	(21)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(128)	(128)
	<b>Net financing cash flows</b>	<b>3,267</b>	<b>3,282</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,865</b>	<b>(800)</b>
1.20	Cash at beginning of quarter/year to date	3,723	7,388
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>6,588</b>	<b>6,588</b>

**Payments to directors of the entity and associates of the directors**
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	179
1.24	Aggregate amount of loans to the parties included in item 1.10	-

## 1.25 Explanation necessary for an understanding of the transactions

Director's remuneration and fees.

**Non-cash financing and investing activities**

## 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

## 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
<b>Total</b>	<b>400</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,088	1,223
5.2 Deposits at call	5,500	2,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>6,588</b>	<b>3,723</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	ELA45/3108	Withdrawal of application	100%	0%
	ELA45/3109	Withdrawal of application	100%	0%
	E51/1006	Compulsory reduction	80%	0%
	E52/1675	Compulsory reduction	100%	0%
	MLA52/1042	Withdrawal of application	80%	0%
	P52/1037	Surrender	80%	0%
	E80/3969	Surrender	100%	0%
	E80/3970	Surrender	100%	0%
	E80/3971	Surrender	100%	0%
	ELA80/4192	Withdrawal of application	100%	0%
6.2 Interests in mining tenements acquired or increased	ELA52/2399	Application	0%	80%

**Issued and quoted securities at end of current quarter**

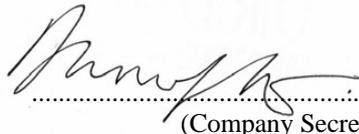
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	86,782,503	86,782,503		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	11,319,456		\$0.30	\$0.30
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	24,652,257 2,222,000 1,400,000 1,500,000 1,500,000 1,000,000 1,000,000 500,000 500,000 500,000 500,000 4,000,000	24,652,257 - - - - - - - - - - -	<u>Exercise price</u> 20 cents 25 cents \$1.20 \$1.00 \$1.20 \$1.60 \$2.20 \$1.00 \$1.20 \$1.60 \$2.20 22 cents	<u>Expiry date</u> 31 Dec 2010 31 Dec 2010 31 Dec 2010 30 Nov 2010 30 Nov 2010 30 Nov 2010 30 Nov 2010 31 May 2011 31 May 2011 31 May 2011 31 May 2011 31 Aug 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000 500,000	- -	\$1.60 \$2.20	30 Nov 2010 30 Nov 2010

7.11	<b>Debentures</b> <i>(totals only)</i>			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>			

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 28 July 2009  
 (Company Secretary)

Print name: Darren Crawte

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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