Important Disclosure

This report has been commissioned by the company and as such a share price target and rating are not provided by GMR. All comments and forecasts are independent of the company and rely on GMR's analysis and forecasts.

Recommendation

Not Applicable

Price: A$0.21

Target Price: Not Applicable

M'cap: A$39M

Ordinary Shares: 185.7M

Share Price Performance

Share prices as at 24/7/2017.

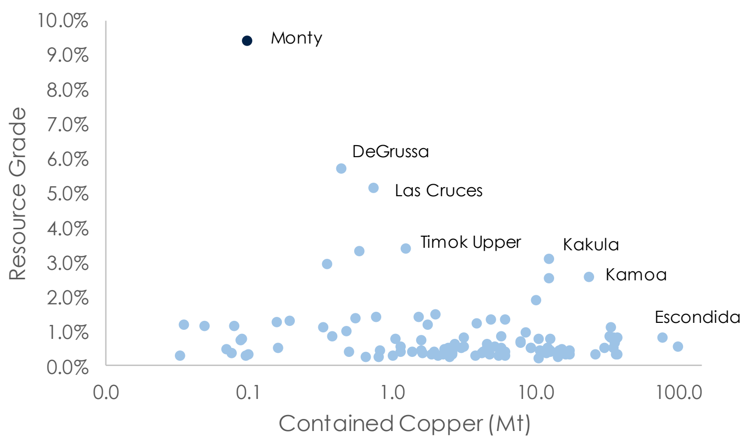
Talisman Mining (TLM)

High Quality Emerging Junior Copper Producer

Talisman is set to be one of the newest copper producers when production commences from the Monty project in late 2018 with JV partner Sandfire. Monty is a very high-grade VMS system close to the DeGrussa concentrator. Exploration upside is a key catalyst for the stock given its one of the most prospective copper addresses in Australia. Additionally, Sinclair offers nickel leverage, albeit more of a long dated option in the current market. This is a commissioned report.

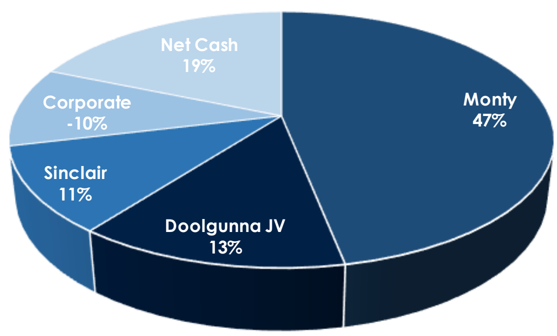
1. The Monty deposit, grading 9% copper, has been significantly de-risked over 2017 with production to commence in ~15 months. TLM debt financing is a key near-term catalyst, with permitting and ore purchase agreements in-hand.
2. Monty's NPV is constrained by a modest mine life with upside to a conservative mine plan. Springfield exploration remains very prospective with ongoing evaluation of targets such as Monty NE and the Southern Volcanics.
3. GMR values TLM at A$0.32/share with significant leverage to exploration and nickel prices. Further, an additional year of production at Monty would add some 30% to our NPV. Monty is a robust project with an IRR of 80%.

Fig 1: Copper Deposits - Resource Grade vs. Contained Copper



Source: Global Mining Research

Fig 2: Talisman Sum of the Parts NPV(10)



Source: Global Mining Research

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Summary

Set to be a Near-Term Copper Producer

In FY20 TLM's share of copper is 10kt at a co-product cost of US$1.55/lb

Talisman Mining is a Perth-based development/exploration company listed on the ASX. The key value driver of the business is the Monty VMS copper-(gold) deposit part of the Springfield JV (30% Talisman, 70% Sandfire). Springfield is located in Western Australia 900km northeast of Perth and just 10km east of Sandfire's DeGrussa mine and concentrator. Monty is a A$73M development targeted to commence production in late 2018. In FY20 Talisman's share of production from Monty is expected to be 9.7kt of copper at a co-product cash cost of US$1.55/lb.

Monty Underpins Share Price with Exploration Optionality

Ongoing exploration at Monty NE and Southern Volcanics remains prospective

Talisman is valued at A$59M or A$0.32 per share, which underpins the market price. Key upside for the business is its significant leverage to mine life extension and discovery. Significantly, exploration in the Bryah Basin and the Springfield JV is at an early stage relative to other Australia VMS districts. Ongoing exploration such as Monty NE and Southern Volcanics by the JV remains prospective. The mothballed Sinclair mine offers additional leverage to nickel.

TLM is Attractive Relative to its Peers

TLM trades at a prospective 2019E <2.5x 2019E EV/EBITDA and is well placed to peers

Monty is one of the few copper development projects of moderate size (<40ktpa copper) that is fully permitted (key risk for USA projects). Further it is the highest-grade project and has one of the lowest capital intensities based on annual copper production. GMR benchmarking highlights based on calendar 2019 TLM is well positioned to its peer group trading at <2.5x 2019E EV/EBITDA, <US$7,000/t of EV/production and free cash flow of >US$0.80/lb.

Funding

A$22M of debt funding pending

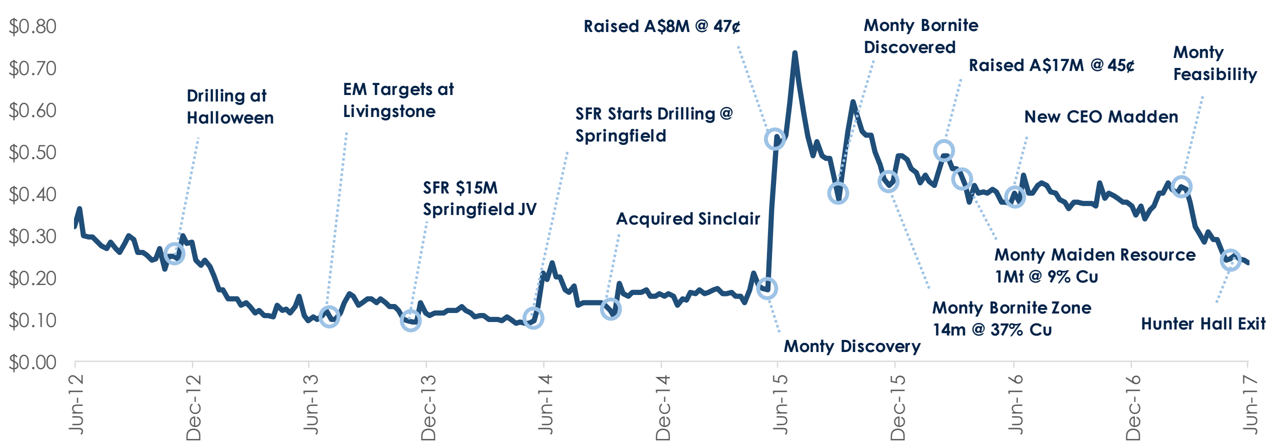
TLM had cash of A$13.8M in March-17, no debt and expected commitments of A$3.1M over the June quarter. TLM's share of Monty development capital is A$22M and is targeted to be 100% debt funded with Taurus mandated and an agreement pending. Any shortfall is expected to be equity funded.

Key Near Term Milestones

Surface works for Monty have already commenced

Q3 2017 – Finalisation of Monty debt financing
Q4 2017 – Commencement of decline development
Q4 2018 – First production from Monty

Fig 3: Five Year Price and History



Source: Global Mining Research

Fig 4: Financial summary

Talisman Mining (TLM)

Recommendation	NA		Analyst	David Radclyffe
As at	24-Jul-17			
Year End	June			
Share Price	$0.17 US$/share		$0.21 A$/share	
Target Price	NA US$/share		NA A$/share	
Net Present Value 10%	$0.25 US$/share		$0.32 A$/share	
Market Cap	31 US$M			
Ordinary Shares	186 M			
Options & Warrants	0 M			

PRICE ASSUMPTIONS - LINKED PRICES

(June Year End)		2016A	2017E	2018E	2019E	2020E
Exchange Rate	A$/US$	0.73	0.75	0.75	0.77	0.78
Gold	US$/oz	1,168	1,258	1,269	1,288	1,302
Silver	US$/oz	15	18	18	19	20
Copper	US$/lb	2.22	2.45	2.68	2.88	3.01
Zinc	US$/lb	0.80	1.16	1.21	1.15	1.10
Nickel	US$/lb	4.24	4.61	5.38	6.50	7.03
Oil	US$/bbl	43	50	60	65	65

FINANCIAL SUMMARY

(June Year End)		2016A	2017E	2018E	2019E	2020E
NPAT (pre-Abs)	**(A$M)**	**-8**	**-7**	**-6**	**-3**	**15**
Adj. EPS	(A$/share)	-0.05	-0.04	-0.03	-0.01	0.08
PER	**(x)**	**-4.3x**	**-5.2x**	**-7.1x**	**-14.6x**	**2.7x**
EBITDA	(A$M)	-8	-9	-7	1	32
EBITDA/share	(A$/share)	-0.04	-0.05	-0.04	0.00	0.17
EV/EBITDA	**(x)**	**-2.3x**	**-3.2x**	**-7.3x**	**69.7x**	**0.9x**
Cash Gen/share	(A$/share)	-0.04	-0.01	-0.01	0.03	0.17
P/Cash Gen	(x)	-5.2x	-16.7x	-24.3x	7.0x	1.2x
FCF Yield	**(%)**	**Na**	**Na**	**Na**	**Na**	**100%**
Dividend	(A$/share)	0.00	0.00	0.00	0.00	0.00
Dividend Yield	**(%)**	0.0%	0.0%	0.0%	0.0%	0.0%
Ordinary Shares	(M)	185.7	185.7	185.7	185.7	185.7

PROFIT AND LOSS STATEMENT - A$M

(June Year End)	2016A	2017E	2018E	2019E	2020E
Operating Revenue	**0**	**-0**	**-0**	**16**	**84**
Other Revenue	0	0	0	0	0
Operating Costs	-8	-9	-7	-16	-52
Other Costs	0	0	0	0	0
EBITDA	**-8**	**-9**	**-7**	**1**	**32**
Depreciation	-0	-0	0	-3	-10
EBIT	**-8**	**-9**	**-7**	**-2**	**22**
Interest	0	0	-1	-2	-1
Pretax Profit	-8	-9	-8	-4	21
Tax on Recurring Income	0	1	2	1	-6
Profit After Tax	-8	-7	-6	-3	15
Minority interests	0	0	0	0	0
Adjusted Profit	**-8**	**-7**	**-6**	**-3**	**15**
Non Recurring Items	0	0	0	0	0
NPAT	**-8**	**-7**	**-6**	**-3**	**15**
EPS	-0.05	-0.04	-0.03	-0.01	0.08

RESERVES/RESOURCES	Pounds	Mine Life	EV/lb
Talisman Mining (TLM)	(Millions)	(Years)	(US$/lb)
Published Copper Reserves	176.4	2.5	0.18
Published Copper Resources	217.5	3.1	0.14

DIVISIONAL EBIT - A$M

	2016A	2017E	2018E	2019E	2020E
Monty	0	0	0	4	29
Other	-8	-9	-7	-7	-7
EBIT	**-8**	**-9**	**-7**	**-2**	**22**

CASH FLOW ANALYSIS - A$M

(June Year End)	2016A	2017E	2018E	2019E	2020E
Cash Flows From Operating Activities					
Receipts From Customers	0	-0	-0	16	84
Payments To Suppliers	-8	-5	-7	-16	-52
Other	0	3	5	5	-1
Cash Flows From Investing Activities					
Acq.of Property, Plant and Equip.	-0	-1	-15	-8	-2
Disposals	0	0	0	0	0
Other	-1	-6	-4	-4	-4
Cash Flows From Financing Activities					
Proceeds From Borrowings	0	22	0	0	0
Repayment of Borrowings	0	0	0	0	-13
Other	23	0	0	0	0
Net Increase In Cash Held	15	13	-21	-6	12
Cash At Beginning of Year	5	20	33	12	6
Cash At End of Year	20	33	12	6	19

BALANCE SHEET ANALYSIS - A$M

(June Year End)	2016A	2017E	2018E	2019E	2020E
Current Assets					
Cash and Cash Equivalents	20	33	12	6	19
Other	0	0	0	2	11
Non-Current Assets					
Investments	0	0	0	0	0
Fixed Assets	3	4	19	24	16
Other	15	15	15	15	0
Current Liabilities					
Borrowings	0	0	0	0	0
Creditors	0	-0	-0	2	8
Other	0	0	0	0	0
Non-Current Liabilities					
Borrowings	0	22	22	22	9
Other	8	8	8	8	8
Shareholders Funds	29	21	16	15	19
Net Debt to Equity	-69%	-51%	62%	107%	-49%
Net Debt to Net Debt + Equity	-224%	-104%	38%	52%	-97%

COPPER PRODUCTION - t

Attributable	**2016A**	**2017E**	**2018E**	**2019E**	**2020E**
Monty	0	0	0	1,893	9,688
Other Assets	0	0	0	0	0
Total Production	**0**	**0**	**0**	**1,893**	**9,688**

GOLD PRODUCTION - oz

Attributable	**2016A**	**2017E**	**2018E**	**2019E**	**2020E**
Monty	0	0	0	584	2,922

CASH COSTS - US$/lb	**2016A**	**2017E**	**2018E**	**2019E**	**2020E**
By-Product	0.00	0.00	0.00	1.75	1.53
Co-Product	0.00	0.00	0.00	1.73	1.55
All-In Sustaining	0.00	0.00	0.00	1.86	1.55

NET PRESENT VALUE

	10% NPV A$M	**/ share**
Monty	35	0.19
Doolgunna JV	10	0.05
Sinclair	8	0.04
Corporate	-7	-0.04
Hedging	-0	-0.00
Net Cash	14	0.07
Options & Warrants	0	0.00
Total NPV	**59**	**0.32**
P/PNV		0.7x

Source: Global Mining Research

SWOT Analysis

Below we highlight a SWOT analysis for the Monty project and Talisman Mining.

Strengths

"Grade is king" and Monty is a very high-grade deposit

- Monty is one of the highest grade undeveloped copper projects in the world, with an in situ value of >US$500/t of ore. This lowers the overall project risk and makes Monty highly attractive relative to peer projects.
- Monty grades are in excess (nearly double) of those currently mined and processed by JV partner Sandfire at DeGrussa. Therefore, Sandfire is incentivised to fast track, invest capital and explore for extensions at Monty.
- The tolling agreement with Sandfire reduces risk for Talisman with sale of ore at the mine gate removing metallurgical/processing and marketing risks. GMR estimates the imputed tolling charge in the ore purchase agreement is ~A$50/t.

Weaknesses

A short mine life is the key restraint on valuation

- Despite being very high-grade Monty currently has an expected mine life of 30 months on the current mine plan. A limited mine life is therefore the key restraint on the project valuation.
- As the junior partner in the Springfield JV the timetable and focus of exploration is somewhat dictated to Talisman by Sandfire as the manager. TLM's recent reinterpretation of near mine geology highlights the value it can add to the JV.
- Arguably TLM should be expected to generate (and foster) additional projects outside of Springfield and Sinclair to add a third leg to the business and increase optionality.

Opportunities

- Upside to the mine plan through combination of mining the Upper Zone, conversion of resources, mining of material outside of resource / definition of additional lenses at Monty. Grade control drilling (at 10x10m rather than the 40x40m for resource estimation) is expected to provide the initial upside.

Springfield is one of the most prospective districts for copper in Australia

- Regional exploration at Springfield is one of the more prospective regions for base metals in Australia. Further, as a relatively new VMS district exploration remains at an early stage. Near mine opportunities includes Monty NE, Monty offset and Southern Volcanics. Further, any material exploration success has the potential to lead to rationalisation of the JV by Sandfire.
- First ore targeted for Q4 2018 could prove to be conservative. While at a very early stage ground-breaking permitting has been received early in Q3 2017. Mining of first ore therefore has the possibility to occur earlier, especially if ore is sourced from the Monty Upper Zone, potentially utilising smaller equipment.

Threats

Debt financing hasn't been finalised

- Proposed debt financing of TLM's estimated A$22M share of development capital is yet to be finalised. TLM is targeting 100% debt financing, and the level to which debt is raised impacts the requirement (if any) for equity.
- The key risk to the business lies in the underground development of Monty and initial ramp-up of ore over the next 24 months. However, SFR as manager has shown to be good underground operators.

Capital sunk into Sinclair requires an uplift in nickel markets to generate a return

- The Sinclair project is hampered by current low nickel prices which provide little incentive for near mine exploration (e.g. conversion of inventory at depth or additional prospects) or studies to recommence production.

Peer Analysis

Globally, there are a number of copper projects targeting a moderate production rate of up to 40kt per year of copper production. Ten of the key copper projects of this size are benchmarked to the Monty project in the following table.

Monty has a number of advantages to peer projects

Significantly, of these development projects Monty has the following advantages: it is one of the few projects fully permitted (a key risk for USA projects); targeted production is for 2018; it is the highest-grade project; and it has the lowest capital intensity on the basis of annual copper production.

Fig 5: Peer Comparison – Copper Projects and Mines Targeting up to 40ktpa of Copper

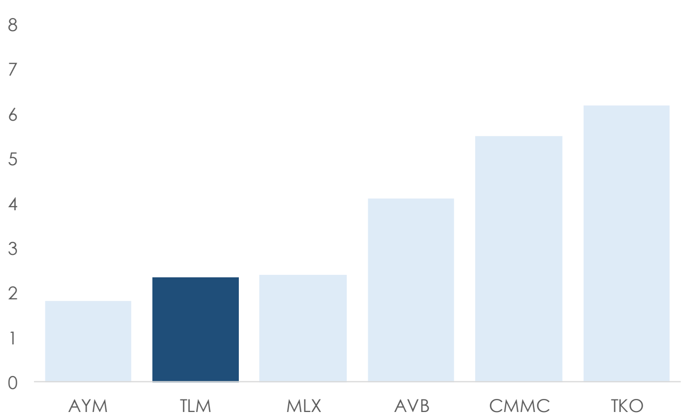
Copper Project	**Black Butte**	**Copper Mountain**	**Florence**	**Gunnison**	**Monty**	**Nifty**	**North Met**	**Pedra Branca**	**Proyecto RioTinto**	**Van Dyke**
Company	Sandfire (SFR)	Copper Mountain (CMMC)	Taseko (TKO)	Excelsior (MIN)	Talisman (TLM)	Metals X (MLX)	Polymet (PLM)	Avanco (AVB)	Atalaya Mining (AYM)	Copper Fox (CUU)
Capitalisation (US$M)	694	88	286	122	35	353	200	198	174	40
Ownership	Tintina (63% SFR)	75% (25% Mitsubishi)	100%	100%	30% TLM / 70% SFR	100%	PLM (30% GLEN)	100%	100%	100%
Country	USA	Canada	USA	USA	Australia	Australia	USA	Brazil	Spain	USA
Stage	PEA Complete 2013	Production	Technical Study	Feasability Complete 2017	Feasability Complete 2018	Production	Definative Feasability Complete	PFS	Production	PEA Complete 2015
Resource	18Mt @ 3.3% Cu	562Mt @ 0.3% Cu, 0.1g/t Au	822Mt @ 0.3% Cu	946Mt @ 0.3% Cu	1.1Mt @ 9.4% Cu, 1.6g/t Au	47.2Mt @ 1.5% Cu	581Mt @ 0.3% Cu	17.6Mt @ 2.4% Cu, 0.7g/t Au	216Mt @ 0.4% Cu	262Mt @ 0.3% Cu
Reserve	12Mt @ 3.1% Cu	146Mt @ 0.3% Cu, 0.1g/t Au	308Mt @ 0.4% Cu	698Mt @ 0.3% Cu	0.9Mt @ 8.7% Cu, 1.4g/t Au	9.8Mt @ 1.6% Cu	245Mt @ 0.3% Cu	-	153Mt @ 0.5% Cu	-
Copper in Resource (Mt)	0.60	1.69	2.66	2.54	0.10	0.71	1.89	0.42	0.86	0.65
Gold in Resource (Moz)	-	1.28	-	-	0.05	-	-	0.37	-	-
Notional Insitu Value* (US$/t)	**195**	**22**	**18**	**18**	**619**	**89**	**18**	**168**	**26**	**18**
Mine Life	11	17	21	24	3	5	20	12	13	11
Project Description	Underground	Open Pit Cu-Au-Ag	In-situ copper recovery	In-situ copper recovery	VMS, Underground	Underground	Cu-Ni-PGM Open Pit	IOCG, Underground	VMS, Open Pit	In-situ copper recovery
Target Production	**2020**	**Producing**	**2020**	**2018**	**2018**	**Producing**	**2020**	**2020**	**Producing**	**NA**
Capex (US$M)	218	Na	200	47	55	Na	602	158	Na	204
Capital Intensity (US$/milled tpd)	66,061	Na	NA	Na	50,188	Na	21,090	48,058	Na	Na
Capital Intensity (US$/product t)	7,267	Na	5,442	4,144	1,719	Na	18,428	6,583	Na	7,494
Annual Throughput (tpd)	3,300	40,000	-	-	1,100	6,800	28,500	3,300	26,000	-
Annual Product (kt)	30	36	37	11	32	36	33	24	37	27
Cash Cost (US$/lb)	1.21	1.54	1.10	0.66	1.17	1.89	0.06	1.30	1.78	0.60
Permitting	C&C Pending	Fully Permitted	Received UIC & APP Permits	Started UIC & APP Permits	Fully Permitted	Fully Permitted	Seeking Final ROD	Seeking Permits	Fully Permitted	Seeking Pilot Permits

Source: Global Mining Research

The following chart benchmarks TLM to its relevant global peers (<US$400M M'cap) on the basis of calendar 2019 (the first year of Monty). On this basis TLM is well positioned to the peer group trading at <2.5x 2019E EV/EBITDA, <US$7,000/t of EV/production and free cash flow of >US$0.80/lb.

TLM well placed to peers on 2019E, the first year of Monty

Fig 6: Small Cap Base Metal Miners 2019E EV/EBITDA (x)



Source: Global Mining Research, Bloomberg (AYM, AVB, CMMC, TKO)

NPV Analysis

TLM is valued at A$59M or A$0.32/share and trades 0.7x P/NPV

GMR's valuation for Talisman is based on a sum of the parts basis, with projects valued using a discounted cash flow (DCF) approach. Talisman is valued at A$59M or A$0.32 per share. Key components of the modelling are:

(i) a 10% nominal discount rate, and key long-term prices of US$3.00/lb for copper, US$1,300/oz for gold, US$7.00/lb for nickel and an Australian / US dollar exchange rate of $0.78.

(ii) Production from Monty commences in 2019 with first ore sold in the March quarter of 2019, a quarter behind expectations.

(iii) GMR assumes Monty produces 88kt of contained copper, above the 74kt mine plan, as we expect the JV to mine the upper zone / and or find additional tonnage.

(iv) An unrecognised deferred tax balance A$13.8M provides a tax offset in the first year of Monty production.

(v) The valuation assumes new debt facilities of A$22M with no additional equity. TLM has mandated Taurus to provide project debt.

(vi) A nominal value of A$10M for the Doolgunna exploration ground under joint venture with Sandfire.

(vii) A value of A$8M for Sinclair representing the upfront payment by Talisman to Glencore.

(viii) An annual corporate charge of A$2.7M inclusive of Sinclair maintenance costs.

(ix) 9.7M of out of the money options do not dilute the model.

(x) Cash as at the end of March 2017of A$13.8M.

NPV curve is flat, however Monty has a very high IRR of 80%

As capital is deployed and cash flows commence in FY19 our Talisman NPV curve remains relatively flat as a function of the short mine life for Monty.

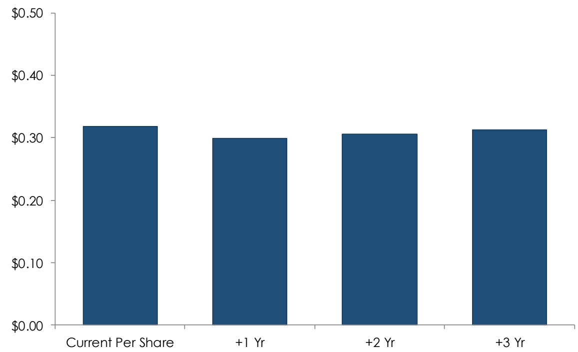
On GMR forecasts, Monty has an IRR of 80%, making it a very robust project.

Fig 7: NPV Composition (AM, A/sh)

Valuation (NPV @ 10%)	A$M	Current Per Share
Monty	35	$0.19
Doolgunna JV	10	$0.05
Sinclair	8	$0.04
Corporate	-7	-$0.04
Hedging	0	$0.00
Options	0	$0.00
Investments	0	$0.00
Net Cash	14	$0.07
Total	**59**	**$0.32**

Source: Global Mining Research

Fig 8: NPV Curve (A$/sh)



Source: Global Mining Research

Valuation Sensitivities

The following table shows the valuation sensitivities to GMR's base case post-tax $NPV_{(10)}$ of A$59M of which Monty represents A$35M. Specifically, this tests the variability to some common factors which drive resource project valuations such as commodity prices, discount rates and capital.

Mine life is a key valuation sensitivity

As expected given the current reserve of 1Mt the addition of a year of mining inventory (0.4Mt on 100% basis) at Monty is a key driver of value adding some 29% upside to our base case assumption. Copper price is the next most significant variable, while costs and capex are less of a driver as expected for high grade projects.

A new discovery at the JV could represent a step change in the valuation

Significantly, this analysis excludes the key upside of the business which is another Monty style discovery on the JV tenements. Such a discovery could represent a step change in our NPV potentially well above our A$10M exploration valuation (as Monty did to the market value of Talisman).

Sinclair is the other "option" value within the portfolio, leveraged to rising nickel prices

The other "option" value in the portfolio is Sinclair, at a nickel price around our LT assumption of US$7.00/lb (vs. spot of US$4.13/lb) there is inherent value in the project above our base case A$8M. In GMR's view at our LT nickel price TLM would be incentivised to invest in further exploration and access options to restart production on remanent mine inventory and/or near mine opportunities with further discovery.

Fig 9: TLM NPV Sensitivity Analysis

	Units	Change (A$M)	Change (%)
Copper Price	+/- 10%	11	18%
Operating costs	+/- 5%	-3	-5%
Mine Life	+1yr	17	29%
A$	+/- 1¢	-1	-2%
Capex	+/- 10%	-2	-3%
Project Timing	+/- 1 Quarter	1	1%
Discount Rate	+/- 1%	1	2%

Source: Global Mining Research

Talismans Feasibility Study Valuation

In the recent FS Talisman valued its 30% project interest on a pre-tax basis, $NPV_{(8)}$ at A$46M. While GMR doesn't value base metal projects on such a basis (our methodology is post-tax, $NPV_{(10)}$) on an equivalent basis GMR's valuation would be A$52M. The key difference between the two is GMR's expectations that 1Mt of ore is mined (i.e. Upper Zone and/or additional material bought into the mine inventory)

Fig 10: Key Price Assumptions (TLM vs. GMR)

	TLM (Feas Study)			GMR		
	2018	2019	2020	2018	2019	2020
Copper (US$/lb)	2.74	2.81	2.78	2.75	3.00	3.03
Gold (US$/oz)	1,398	1,375	1,374	1,275	1,300	1,305
A$	0.73	0.73	0.72	0.76	0.78	0.78

Source: Global Mining Research

Structure of the Springfield Joint Venture

There are three agreements which govern the Springfield JV

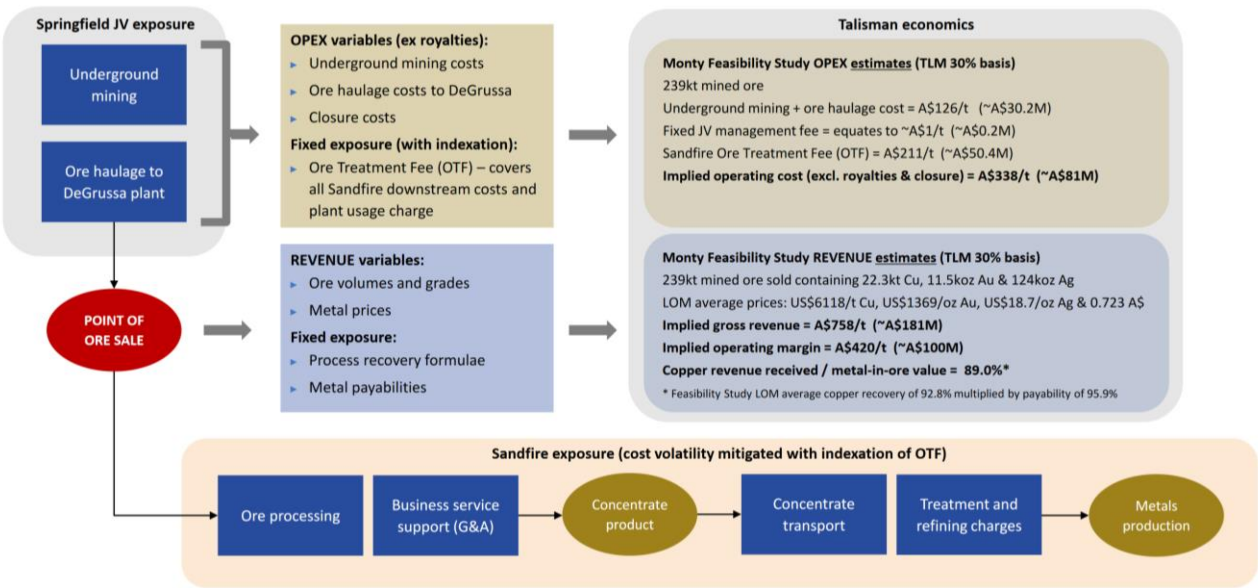
The Springfield JV with Sandfire 70%, Talisman 30% in the Bryah Basin comprises three principle agreements: i) an Exploration JV Agreement (EJVA), ii) a Mining JV Agreement (MJVA), and iii) an Ore Sale and Purchase Agreement (OSAP). These supersede the December 2013 farm-in agreement.

This includes the Ore Sale and Purchase Agreement (OSAP) were Sandfire purchases Talisman's share of Monty ore

The OSAP has been a key recent agreement between the two companies allowing all Monty ore to be processed through the nearby DeGrussa plant owned by Sandfire. Further, any extensions to Monty would be covered by the agreement with any future economic discoveries on the broader JV tenements subject to a new OSAP if the parties so elect.

The OSAP agreement is summarised in the chart below, however key points are: TLM will sell its share of ore to SFR at the DeGrussa ROM weighbridge; and TLM will be paid on the basis of contained payable metal minus the ore treatment fee, management fee and royalties. The agreement is based on fixed payabilities and recoveries reducing the process risk to TLM

Fig 11: Ore sale and purchase agreement with Sandfire (the TLM take)



Source: Talisman

Breaking Down the A$211/t OSAP (TLM side of the agreement)

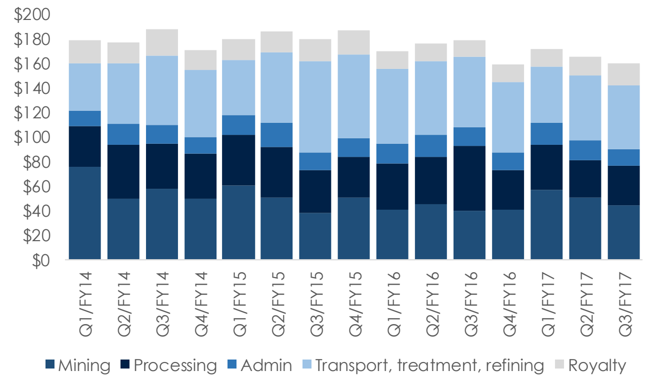
GMR estimates the imputed tolling fee in the OSAP is close to A$50/t

In the following charts GMR has used historical reported costs for DeGrussa to evaluate the A$211/t Ore Treatment Fee (OTF) for use of the DeGrussa plant for TLM's share of production. Recent costs for DeGrussa for processing, G&A and transport, TC/RC's are approximately A$100/t.

Adjusting for TC/RC's and transportation the imputed tolling fee in the agreement is close to A$50/t. As TC/RC's and transportation costs need to be adjusted to reflect that Monty grades are double DeGrussa this implies a higher equivalent charge in A$/t. Therefore, the imputed fee to use the plant is some A$13M over the LOM.

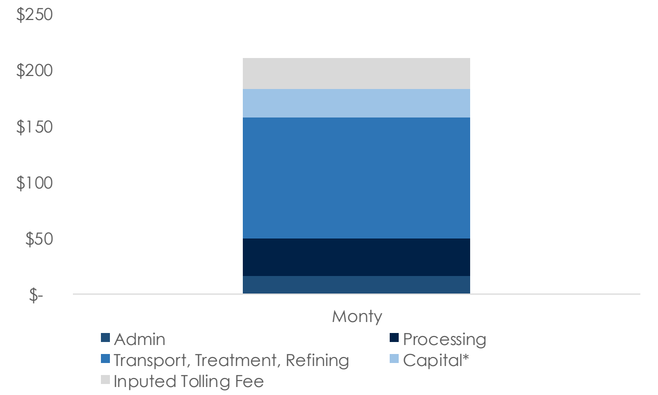
Significantly the agreement isn't static with revenues adjusted to the upside / downside for changes in price and grade, with allowance for additional tonnages to be sold. The same is true for key cost components of the OTF as TC/RC's and concentrate transport costs adjust to the upside / downside.

Fig 12: Historical Operating Costs for DeGrussa



Source: Global Mining Research

Fig 13: Calculating a Tolling Fee from Historical DeGrussa Costs



Source: Global Mining Research * Estimated Capital within Tolling Fee

How the OSAP Works from the SFR Perspective

Net of royalties and ore treatment fee SFR purchases Monty ore from TLM for net A$513/t subject to adjustments

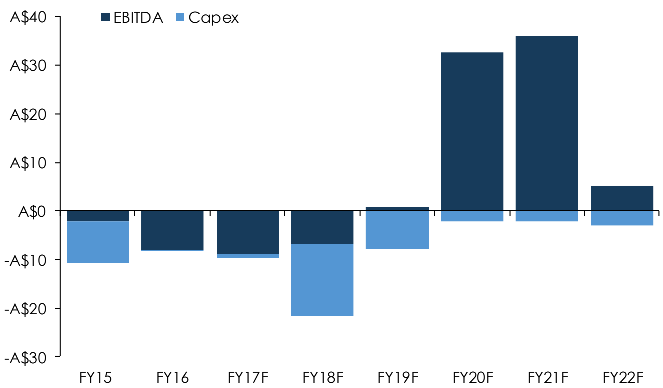
The other side of the OSAP agreement is the perspective from SFR as the acquirer of TLM's 30% of Monty ore production.

Under the agreement SFR will acquire ore for net A$513/t which assumes an average value per ton of recoverable and payable metal of A$758/t before the A$211/t OTF and royalties. Under the conditions of the agreement for every 10% change in the underlying commodity assumptions from the FS the net ore purchase price changes by A$67/t. Further, the price is adjusted up or down by ore grade and cost components of the OTF (e.g. TC/RC's) relative to the FS estimates.

Key Financial Assumptions

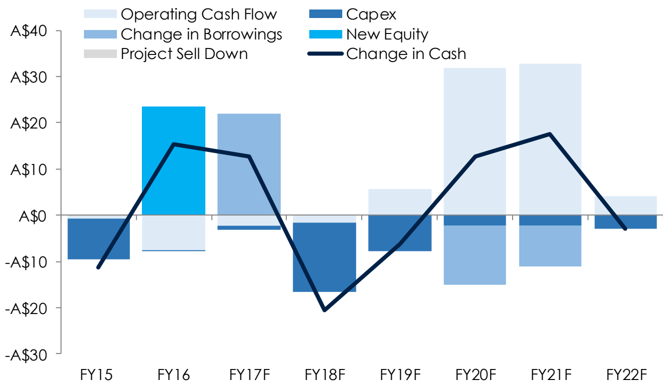
The following charts highlights our key financial assumptions for Talisman and the Monty project.

Fig 14: Talisman – EBITDA & Capex Profile (A$M)



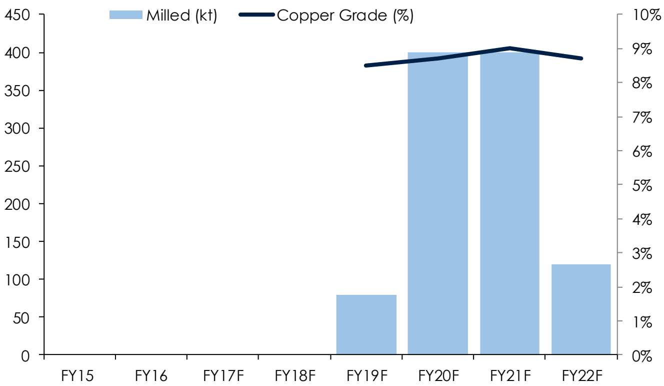
Source: Global Mining Research

Fig 15: Talisman – Key Cash Flow Drivers (A$M)



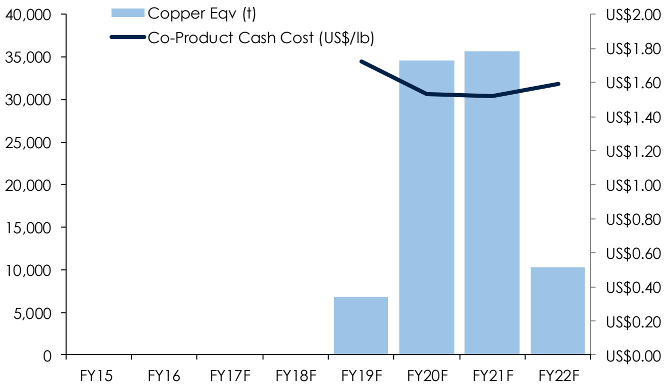
Source: Global Mining Research

Fig 16: Monty – Throughput & Copper Grade Profile (kt, %)



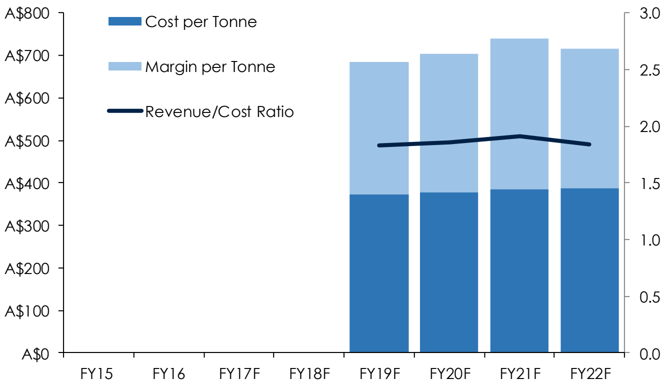
Source: Global Mining Research

Fig 17: Monty Copper Eqv. Production & Cost Profile (t, US$/lb)



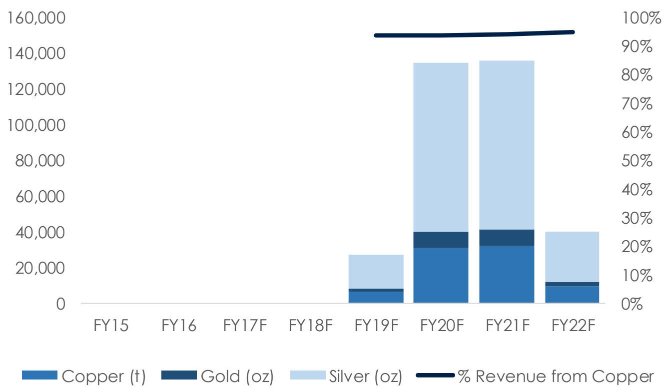
Source: Global Mining Research

Fig 18: Monty - Margin / Milled Tonne, Revenue/Cost (A$/t, x)



Source: Global Mining Research

Fig 19: Monty – Payable Product Suite & Copper Revenues (%)



Source: Global Mining Research

Benchmarking Monty Cash Costs

GMR estimates a LOM co-product cash cost for TLM's share of Monty of US$1.55/lb

To compare like-for-like across the copper sector GMR uses co-product cash costs including royalties to produce cash cost curves (i.e. operating costs plus royalties divided by copper equivalent production). Co-product cash cost curves produce flatter slopped curves than on a by-product basis and adjust for what can be significant credits.

The chart below comprises some 65 copper mines GMR models globally and reflects expected cash costs in 2018.

GMR forecasts TLM's LOM costs for their 30% share of Monty are US$1.55/lb on a co-product basis. This compares to the March 2017 feasbility by-product costs of A$1.56/lb before royalties (+ A$0.20/lb) and A$1.90/lb on an AISC basis.

On this basis despite being one of the highest grade copper deposits (reserve grade 8.7%) on a co-product basis TLM's share of Monty production is expected to be around the middle of the global cost curve.

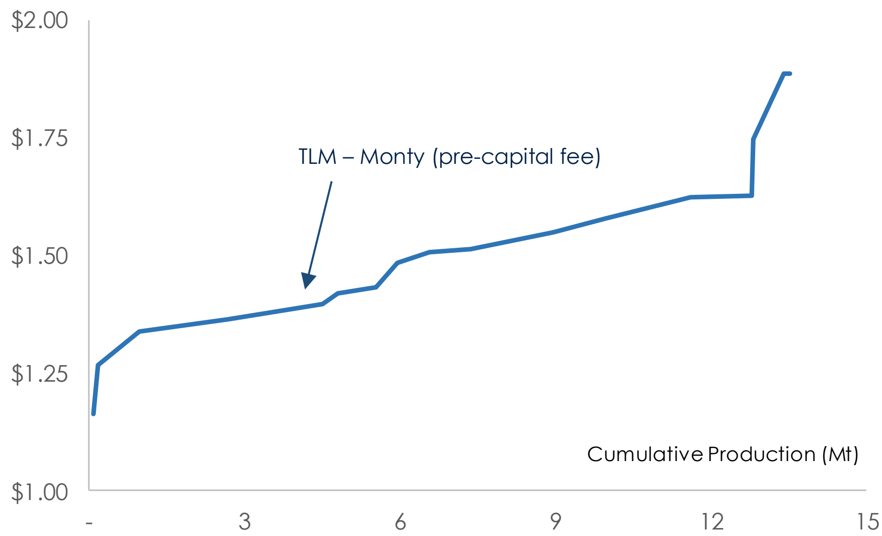
In GMR's view there are a few key reasons that drive this:

1. At 0.4Mtpa Monty doesn't have economies of scale.
2. As a discrete ore body (average stope size 15mx5.5mx5m) mining costs on a unit basis are high at A$120/t.
3. Copper is 94% of project revenues so credits are minimal.
4. The tolling fee at ~A$50/t equates to an additional US$0.24/lb to cash costs. However, this includes an estimated ~A$25/t (or US$0.12/lb) for plant capital required to treat higher grade Monty ore through the DeGrussa plant.

Normalising for the OSAP implies a first/second quartile project as the reserve grade would indicate

Therefore, backing out the estimated plant capital fee component (as co-product costs exclude capital costs) this would indicate a first/second quartile project as would be expected for such a high copper head grade.

Fig 20: Global Copper Sector – 2018E Co-Production Cash Cost Curve (US$/lb)



Source: Global Mining Research

History of Australian VMS Deposits

Discovery of DeGrussa in 2009 makes this the most recent discovery of a district in Australia and it remains an early stage of exploration

Australia is host to a number of VMS/VHMS districts, significantly the older Western Australia deposits have three operating mines of note (DeGrussa, Jaguar and Golden Grove), while Rosebery is the key East Coast mine. Broadly these Australian deposits share many key characteristics of international VMS/VHMS districts such a Noranda in Canada or the Iberian Pyrite Belt.

Key attributes of these deposits are they typically are small (<10Mt), polymetallic, high value, and occur in clusters. However, due to their discrete nature unlocking a district normally sees discoveries spread over what can be decades. As highlighted in the table below the Western Australian districts have followed a similar pattern of discovery, with both Golden Grove and Jaguar discovered in the 1970's, with a number of subsequent deeper discoveries occurring after a 20-year hiatus. Rosebery in Tasmania has had a similar history with over 80 years of continuous operation.

The DeGrussa district is relatively new as a discovery

The discovery of DeGrussa in 2009 makes this the most recent discovery of a district in Australia and therefore by its nature this region remains at an early stage of exploration. Typical of other districts after the initial flurry of discoveries with DeGrussa, C1, C4 and C5 lenses there was a six-year hiatus before the discovery of Monty in 2016.

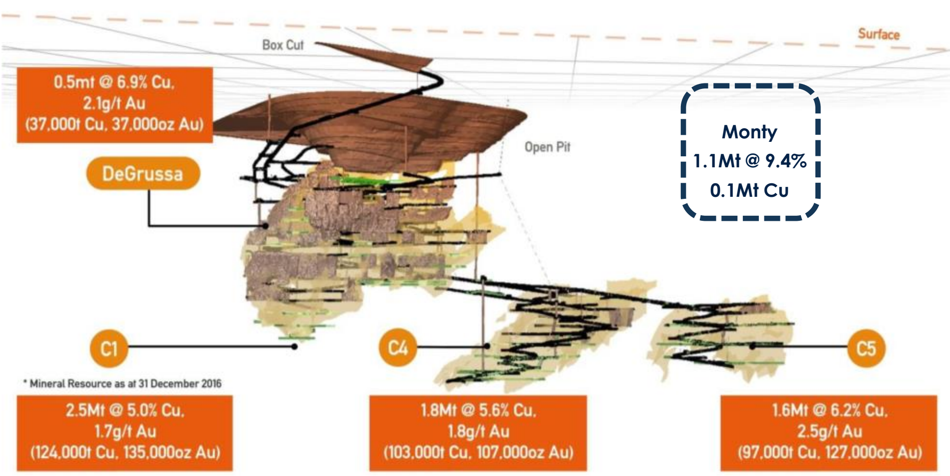
Fig 21: History of Discoveries in Australia's Three Main VHMS Districts

Golden Grove		**DeGrussa**		**Jaguar**	
Gossan Hill	1971	DeGrussa	2009	Teutonic Bore	1976
Scuddles	1979	C1	2009	Jaguar	2002
Catalpa	2000	C4	2010	Bentley	2008
Xantho	2002	C5	2010	Flying Spur	2014
Hougoumont	2003	Monty	2016	Triumph	2015
Camberwarra	2003				
Amity	2004				
Xantho Extension	2007				
Batavia	2007				
Cervantes	2007				
Gossan Valley	2010				
Tryall	2011				
Oizon	2012				
Grassi	2013				
Scuddles Oxide	2013				

Source: Global Mining Research

Compared to DeGrussa and its four lenses the Monty footprint is modest

Fig 22: DeGrussa with Approximate Dimensions of Monty Superimposed



Source: Sandfire, Global Mining Research

Springfield Project & Monty Deposit

Monty was discovered in mid-2015 and production is targeted for late 2018

The Monty deposit is located in Western Australia, 900km Northeast of Perth and 10km East of Sandfire's DeGrussa copper-gold underground mine producing 65-70ktpa of copper in concentrate. Talisman has two tenements located adjacent to Sandfire's ground: to the West with Halloween West; and to the East known as Springfield. Prior exploration by Talisman identified prospective potential extensions to the DeGrussa mine sequence that saw Sandfire commit to a JV earning 70% through spending A$15M on exploration. The discovery of Monty in mid-2015 and a subsequent drill out saw Sandfire complete its project earn-in.

Geologically the Springfield Project lies on the Eastern edge of the Bryah Basin. The Monty deposit, like DeGrussa, is interpreted as a VMS deposit, although Monty is thought to lie higher in the sequence. Mineralisation occurs within a unit of sediments and basalts known as the Karalundi Formation. Monty is a blind deposit, with no surface espression. DeGrussa mineralsiation is predominently chalcopyrite-pyrite, while Monty is similar it includes a very high grade bornite zone.

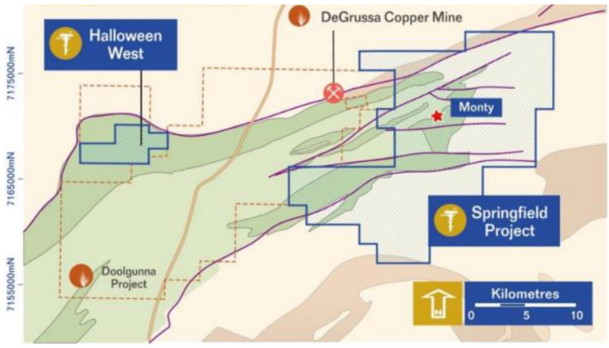
Monty resource - 1.05Mt at 9.4% copper and 1.6g/t gold

A drillout of the project over 2015-2016 to a 40x40m drill density defined a predominantly Indicated Resource estimate of 1.05Mt at a grade of 9.4% copper and 1.6g/t gold. This converted to a Reserve of 0.92Mt at a grade of 8.7% copper and 1.4g/t gold. In terms of contained copper Monty at 99kt is smaller than the C1, C4, C5 lenses at DeGrussa, however at nearly double the copper grade and a slightly lower gold grade.

Fig 23: TLM key project locations

Source: Talisman

Fig 24: Springfield Project



Source: Talisman

Monty is a robust project with an IRR of 78%

In April 2017 the JV released a feasibility study focussing on an underground development of Monty with ore processed at the nearby Degrussa concentrator owned by Sandfire. The study identified a A$72M project development could mine 0.8Mt of ore containing 74kt of copper and 38koz of gold. A modest yet highgrade project, TLM assessed the IRR (internal rate of return) at 78%, with production targeted to commence in the last quarter of calendar 2018.

Fig 25: Monty project timetable

Target Monty project development timeline	1Q CY17	2Q CY17	3Q CY17	4Q CY17	1Q CY18	2Q CY18	3Q CY18	4Q CY18
Detailed design and engineering								
Early mobilisation and preliminary site activities								
Final project approval								
Decline development								
First ore production								

Source: Talisman

Fig 26: Monty Capex (A$M)

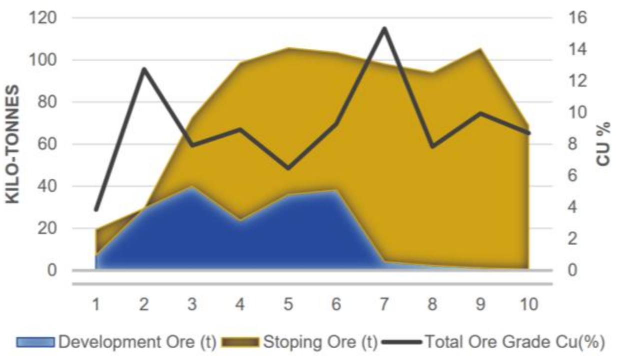
Capital	100%	TLM (30%)
Surface Infrastructure	32.8	9.8
Underground Mine Development	31.6	9.5
Underground Mine Infrastructure	8.1	2.4
Pre-Production Total	**72.5**	**21.8**
Sustaining Capital	18.4	5.5
Closure Cost	3.2	1.0
Total LOM Capital	**94.1**	**28.2**

Source: Global Mining Research

Mining

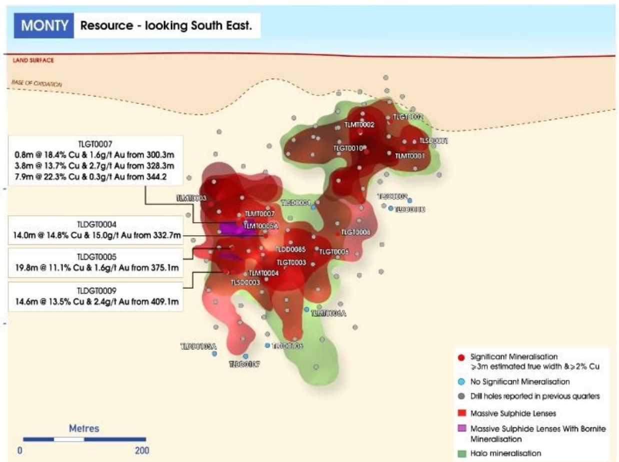
The Monty deposit will be accessed by a 1 in 7 decline down to ~500mbs. Mining of ore will be based on long-hole open stoping (15m high stopes) with backfilling of stopes (with cemented aggregate fill). Ventilation will include a single vent shaft. Contract mining is planned to be employed with no one yet appointed.

Fig 27: Monty Quarterly Production Profile



Source: Talisman

Fig 28: Monty Long Section



Source: Talisman

10 x 10m grade control drilling as part of the underground development to provide more clarity around the Upper Zone and other areas

Monty comprises a discrete ore body with many lenses with a defined upper and lower zone. The mine inventory has excluded the Upper Zone due to fracturing and oxidation impacting economics. However, 10 x 10m grade control drilling in 2018/19 is expected to provide greater clarity of the Upper Zone potential and also in other parts of the deposit such as the very high grade bornite zone (e.g. 25.8m at 24.1% copper). The current mine plan envisages an average stope size in the Lower Zone of some 15m x 5.5m x 5m.

Processing

Ore from Monty will be hauled 14km via a dedicated haul road by road trains to the ROM at DeGrussa. The point of sale under the agreement with Sandfire is the DeGrussa weighbridge. Monty ore will be blended with underground ore from DeGrussa and processed through Sandfire's 1.6Mtpa flotation plant. While there are a few minor differences in ore types, test work has shown they are essentially similar in composition. Monty ore will represent 0.4Mtpa of the plant feed or ~25%. The feasibility study identified expected recoveries of Monty ore as 92.8% for copper, 54.1% for gold and 69.8% for silver. To allow for the higher grades at Monty the DeGrussa plants concentrate capacity will be expanded to 400ktpa from the current 285ktpa.

Environmental & Native Title

Environmental & native title for Monty are extensions of DeGrussa

Given the development of Monty its proximity to DeGrussa meant that it did not require a separate environmental approval. The Mining Licence Application was approved in May 2017 and the Mining Proposal and Mine Closure Plan in July 2017 allowing work to commence.

Similarly, native title is effectively covered under the existing Yugunga-Nya People agreement with Sandfire. The Yagahong Alliance (Central Earthmoving and the Yugunga-Nya People) who has won the A$8.2M contract for civil and earthworks for Monty will provide employment opportunities for the traditional owners.

Regional Exploration Potential

Overall, exploration remains at a relatively early stage

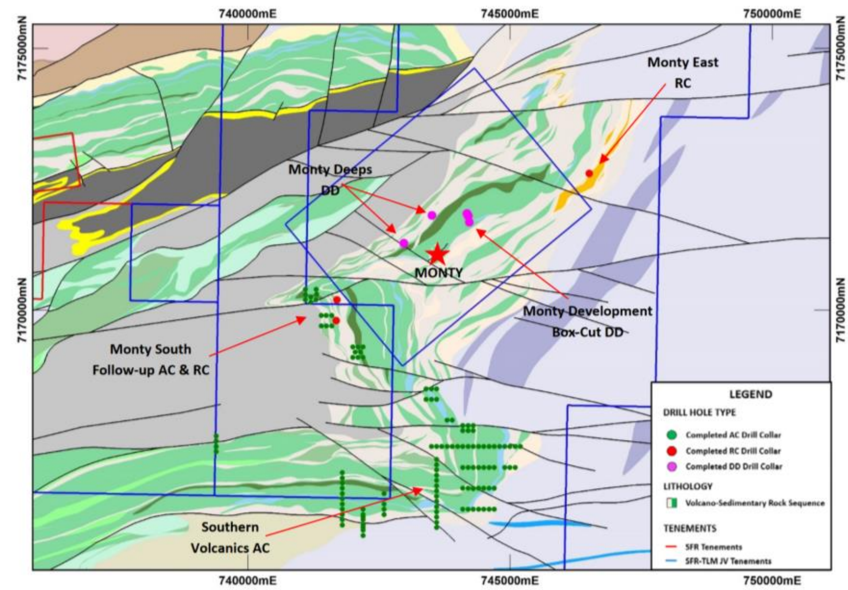
Whilst development of Monty advances Springfield exploration will continue, with significant potential at Monty, near mine and regionally such as the Southern Volcanics. Overall, exploration remains at a relatively early stage with the majority of regional drilling only represented by shallow aircore.

Recently two deep drill holes below Monty have not discovered any additional lenses, however a third deep drill hole testing for continuation of Monty to the West across the Mataro Fault is being retargeted for an interpreted offset in the host stratigraphy.

Monty East and Monty North East are near mine targets where further aircore and RC drilling is planned. In addition, the JV has trialled the geophysical technique IP (Induced Polarisation) across Monty and Monty North East as a potential new tool for vectoring.

The Southern Volcanics, representing a strike length of some 16km, have been the focus of a recent aircore program targeting samples for geochemical vectoring by the JV. Follow up work is expected later in 2017.

Fig 29: Monty Near Mine Exploration



Source: Talisman

Sinclair Projects

Premier nickel address in Australia

The second key opportunity for Talisman is the Sinclair project located in the Agnew-Wiluna Greenstone belt of Western Australia. This nickel belt is one of the most significant in Australia and host to deposits such as Mt Keith, Cosmos and Perseverance. The project was discovered and developed by Jubilee Mines and operated from 2008-2013. A number of the directors from Jubilee were involved in the project at this time, prior to Jubilees acquisition by Xstrata (now Glencore) who put the operation into care and maintenance in 2013. TLM purchased the property in late 2014 from Glencore for A$8M and a further A$2M contingent on recommencing production.

Sinclair has signficant infrastructre in place

Sinclair infrastructure represents an advanced opportunity to fast track production in a higher nickel price environment

Over its life the Sinclair mine produced 1.58Mt of ore at an average grade of 2.44% nickel for 38.5kt of nickel in concentrate. The project comprises a 0.3Mtpa concentrator, underground mine, and mine infrastructure including camp and airstrip. As such it represents an advanced opportunity to fast track production in a higher nickel price environment. Further, there could be regional corporate opportunities with companies such as St George Mining having nickel resources within potential trucking distance of the plant.

Sinclair – mineralisation not in a formal resource estimate

There is no JORC compliant resource estimate for Sinclair, albeit drilling has shown mineralisation continues down plunge for some +800m below historical workings (e.g. 6.3m @ 3.3% nickel) and there are remnant zones of mineralisation within the mine. TLM is in the process of reviewing what would be required to generate a compliant resource and the associated costs/benefits.

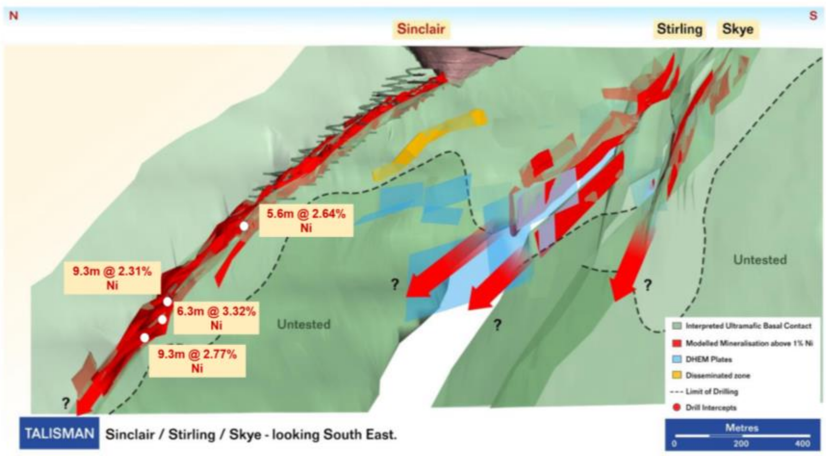
Delphi, Skye and Stirling – priority exploration targets

Historical exploration has identified additional ultramafic channels at Delphi, Skye and Stirling with additional prospective targets such as Schmitz Well.

Gold potential

In addition to nickel the belt is prospective for gold, with an area of historical gold anomalism currently being targeted by an aircore program to the south-east of the historical Bannockburn gold operation.

Fig 30: Sinclair Long Section



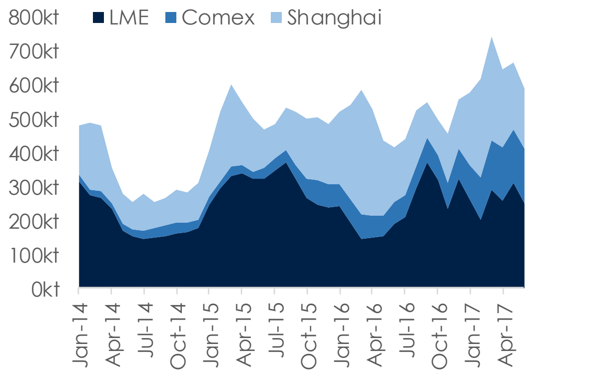
Source: Talisman

Copper a Preferred Commodity

Copper deficits are finally here and growth is lacklustre following a lack of reinvestment

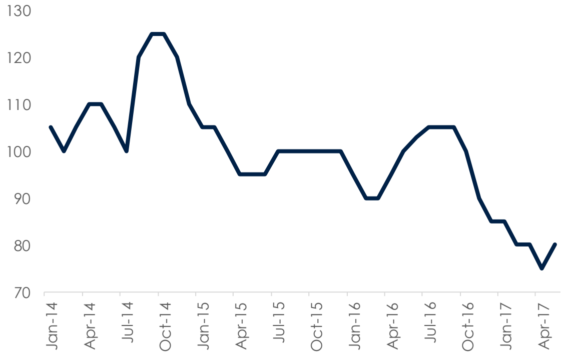
Long awaited copper deficits are finally here, following a lack of investment (recent supply is all last cycle) exacerbated by current supply issues such as Grasberg. GMR expects a substantial 474kt deficit in copper market over 2017-2019, triggered by a slowdown in production growth (e.g. production from both Codelco and Freeport is expected to decline) along with a slight pick-up in demand. This contrasts with the previous nine years, which showed a cumulative excess of 1,019kt.

Fig 31: Copper Inventories (kt)



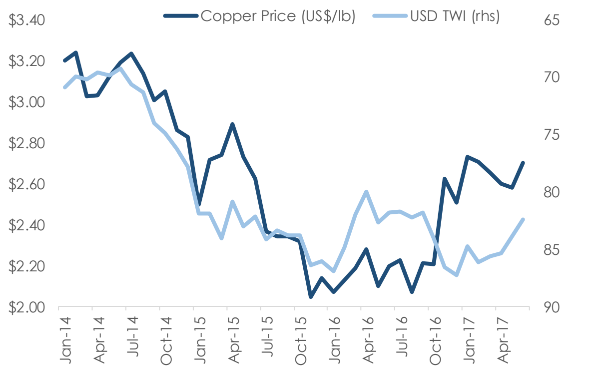
Source: Bloomberg

Fig 32: Spot TC / RC's (US$/t)



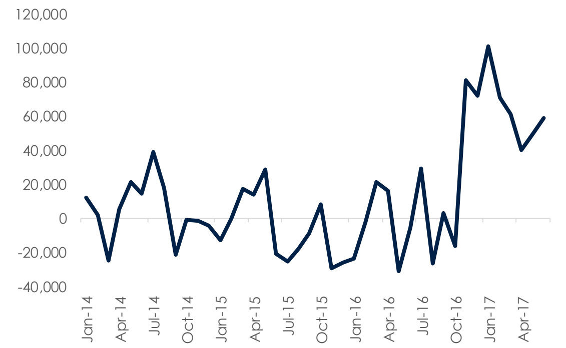
Source: Bloomberg

Fig 33: US TWI vs Copper Price (US$/bbl, US$/lb)



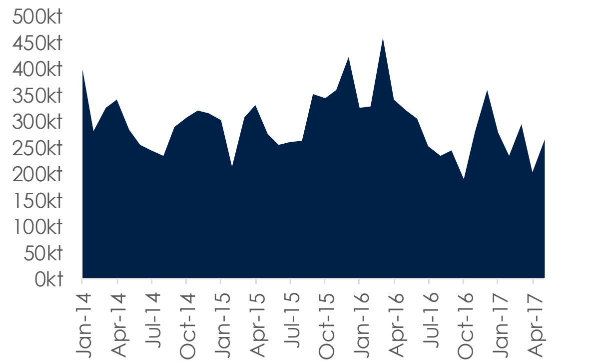
Source: Bloomberg

Fig 34: Copper Net Future Contracts (Number)



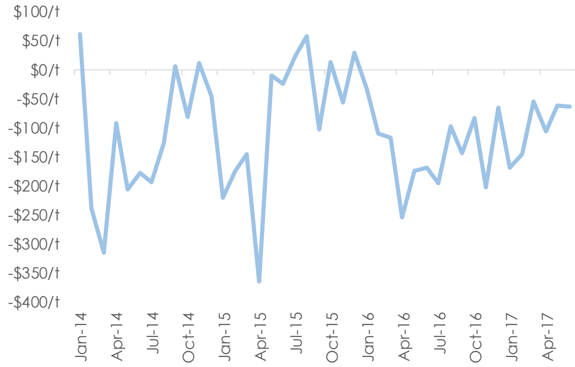
Source: Bloomberg

Fig 35: Monthly Chinese Refined Imports (kt)



Source: Bloomberg

Fig 36: Shanghai to LME Arb (US$/t)



Source: Bloomberg

Board and Key Management

Jubilee Mines, which was acquired for US$2.8B by Xstrata in 2012, is a common thread for many executives

Jeremy Kirkwood (Non-Executive Chairman) – has a long history in corporate strategy, investment banking and capital markets having held senior roles at Credit Suisse, Morgan Stanley and Austock. This included adviser to Jubilee.

Dan Madden (Managing Director) – has over 15 years senior management and finance experience including financial controller for Jubilee, GM Finance for Xstrata Nickel Australasia. Prior to being appointed MD, he was the CFO of TLM.

Brian Dawes (Non-Executive Director) – is a mining engineer with over 40 years' experience including positions at Jubilee, Western Areas, WMC and Normandy.

Karen Gadsby (Non-Executive Director) – is an accountant with senior management experience at North Ltd, Robe River and ERA.

Alan Senior (Non-Executive Director) – is a mechanical engineer with extensive experience in project development. Previously, he was a non-exec at Jubilee.

Tony Greenway – (GM Geology) – is a geologist with +25 years' experience including exploration manager for Hancock Prospecting and MD of WSR.

Shaun Vokes – (Chief Finance Office) – is an accountant with over 25 years' experience in the mining sector. Previous roles include CFO for Kabanga Nickel.

Capital Structure

Talisman has 185.7M ordinary shares on issue. In addition, there are 9.7M unlisted options (at an average strike of A$0.57).

Kerry Harmanis is the largest shareholder at 18.1%, other Australian funds include Westoz and Acorn.

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BUY – GMR's top rating category with the shares forecast to outperform its sector and provide attractive returns when considering risk profiles. The rating carries a minimum total return threshold of +10% for companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both absolute and relative values.

SPEC BUY – Investment for risk accounts only. The security has strong upside although its risk profile leaves the potential for significant downside. Return expectations should generally exceed those of BUY to allow for the additional risk.

HOLD – The security is forecast to trade in line to its underlying sector. The rating carries a total return threshold in the range of +/- 10% for companies that have tangible underlying assets that give a measure of support to the market valuation.

SELL - The security is forecast to under-perform its underlying sector. The rating carries a total return threshold of below -10% for companies that have tangible underlying assets that give a measure of support to the market valuation.

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GMR attempts to maintain one third of companies under coverage as Buy or Spec Buy rated, one third as Hold rated and one third as Sell rated. These proportions may vary from time to time due to market conditions, share price movements, commodity price fluctuations and other external forces.

The amount of companies covered with positive ratings with investment banking relations is nil: GMR does not have investment banking relations with any companies researched.

Valuation Methodology

The Net Present Value (NPV) of a company is based on a discounted cash flow analysis using a 10% nominal discount rate unless stated otherwise. The NPV consists of a value for each project or mine together with the net cash position, hedge books and options/warrants on a fully diluted basis.

The Target Price considers both the short-term market parameters and the longer-term cash flow captured by NPV of the stock. The short-term calculation consists of the three-year relative average EV/EBITDA ratio adjusted for mine life and growth. The longer-term calculation considers the NPV adjusted for the market capitalisation of the stock. The Target Price is the average of the short-term and longer-term valuation adjusted for perceived risk and is based on a 12 month view.

The NPV, Target Price and Recommendation are regularly maintained for each stock, but GMR does not necessarily intend to publish research on the basis of any changes.

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