TALISMAN MINING LTD

ABN 71 079 536 495

ANNUAL REPORT 2009

CORPORATE DIRECTORY

DIRECTORS
Mr Alan Senior (Non-Executive Chairman)
Mr Gary Lethridge (Managing Director)
Mr Brian Dawes (Executive Director)
Mr Peter Langworthy (Technical Director)
Ms Karen Gadsby (Non-Executive Director)

COMPANY SECRETARY
Darren Crawte

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ASX Codes: TLM, TLMO

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TALISMAN MINING LTD

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present to you the Company's 2009 Annual Report.

Exploration activities at the Wonmunna iron ore project situated in the East Pilbara Iron Ore Province of Western Australia were completed. This work resulted in an upgraded JORC Inferred resource of 78.3Mt @ 56% iron (including 10.0Mt @ 61.3% iron). Following this work the company completed a scoping study which identified potential development routes for the project.

The 2009 financial year has been a difficult year for exploration companies generally with most junior companies having to reconsider their strategies in light of adverse market changes in order to have continuing market relevance and support. For Talisman it has been a time of change.

I am pleased to say that Talisman has responded positively to the challenges following the resignation of Steven Elliott late last year and the new world order, by recruiting our new managing director, Gary Lethridge to the Company.

Mr. Lethridge has attracted Peter Langworthy and Brian Dawes to senior executive positions with the Company, which has introduced a depth of management expertise and industry knowledge that will stand the Company in good stead moving forward. Subsequently Peter and Brian were appointed to the Talisman Board completing the restructure.

The new management team has developed and is implementing a rejuvenated corporate strategy focused upon the achievement of 'quality first' growth and shareholder returns. The focus in the past six months has been the redirection of strategic efforts towards:

- the advancement of the exciting new Springfield copper/gold project which lies immediately along strike from Sandfire Resources Limited's DeGrussa discovery;
- completion of the scoping study on the Wonmunna iron ore project and the investigation of associated value realisation alternatives;
- an initial recapitalisation of the Company which culminated in a $5.2 million share placement in late May and which was approved by shareholders in July;
- the acquisition of advanced nickel sulphide exploration opportunities; and
- the review and assessment of the Company's existing exploration portfolio.

We have only just begun taking our first steps towards our corporate goal of creating a quality Australian mining and exploration company focused on generating profits and shareholder returns, but our initial building blocks are being put in place.

The financial year also saw the resignation of Mick Bunyard as a non executive director. I would like to take this opportunity to thank both Steve and Mick for their respective contributions to the Company over the years.

Finally, I wish to thank our employees for their hard work and commitment and I look forward to their continued support over the next twelve months.

Alan Senior

Chairman

REVIEW OF OPERATIONS

EXPLORATION STRATEGY

The start of calendar 2009 has seen Talisman realign its exploration strategy to focus on the following:

- Gain exposure to copper and copper-gold projects both within existing projects and from newly identified projects;
- Complete the Scoping Study for the Wonmunna Project and determine the most appropriate path forward to realise maximum value from this important asset;
- Identification, acquisition and subsequent exploration of advanced nickel sulphide exploration opportunities;
- Review the entire exploration portfolio to ensure that only quality projects are supported and advanced.

PROJECTS

SPRINGFIELD PROJECT (Cu-Au)

(100% Talisman Mining Ltd)

The Springfield Project is located approximately 150km north east of Meekatharra in the northern Murchison Goldfield of Western Australia and adjacent to Sandfire Resources NL's Doolgunna Project, which hosts the recently discovered DeGrussa high-grade copper-gold volcanogenic massive sulphide (VMS) deposit.

The Springfield Project comprises three Exploration Licence Applications (ELA's) which are expected to be granted in early 2010. The ELA's were pegged by Talisman as part of a strategy targeting prospective formations within the Peak Hill district for gold and copper mineralisation (see Figure 1).

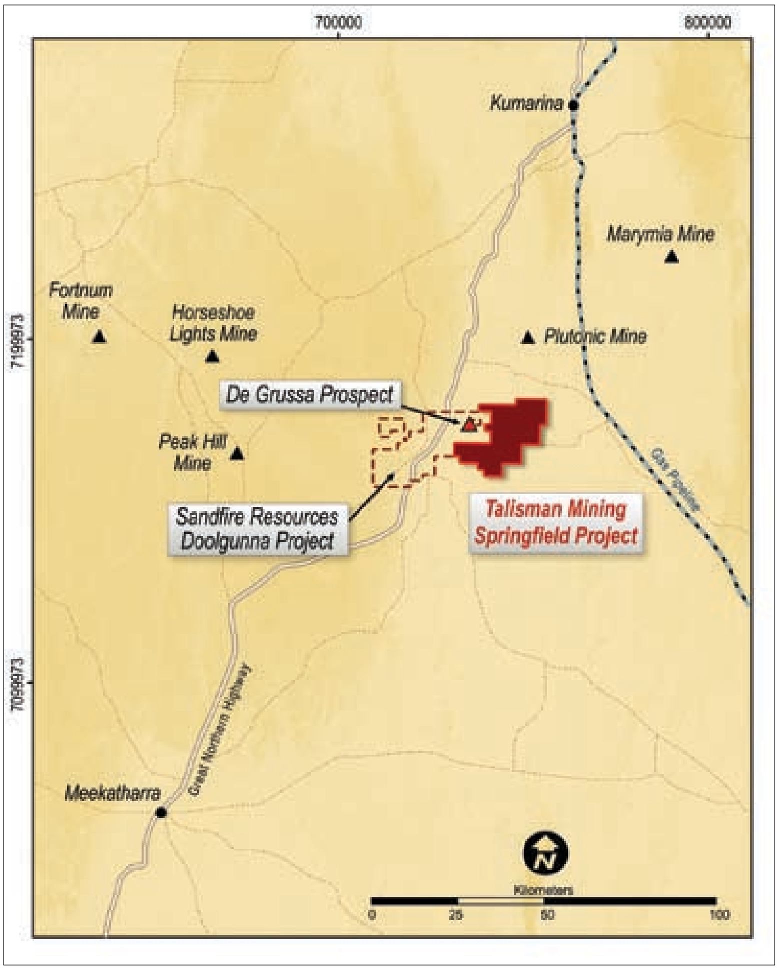

Figure 1 – Springfield Project Location

The recent discovery of high-grade copper-gold mineralisation at DeGrussa, combined with the fact that this style of deposit typically occurs in clusters, has opened up Talisman's Springfield Project as one of the most prospective exploration properties in Western Australia for high-grade VMS deposits.

Accordingly, Talisman has decided to advance the Springfield Project on a priority basis.

Initial reconnaissance exploration by Talisman at Springfield has identified the continuation of the same prospective Upper Narracoota Volcanic Formation through the Springfield Project area, which lies immediately east of the Doolgunna Project.

Exploration completed by Talisman to date at the Springfield Project includes:

- Reconnaissance field investigations focusing primarily on lithostructural mapping, together with rock chip sampling and orientation geochemical sampling. This mapping and sampling work has confirmed that the prospective Upper Narracoota Volcanic Formation extends from Sandfire's DeGrussa prospect along strike into Talisman's Springfield Project. In addition, up to approximately 25km of strike of this prospective stratigraphy is interpreted to occur within the Springfield Project area around the margin of a large synclinal fold (see Figure 2);

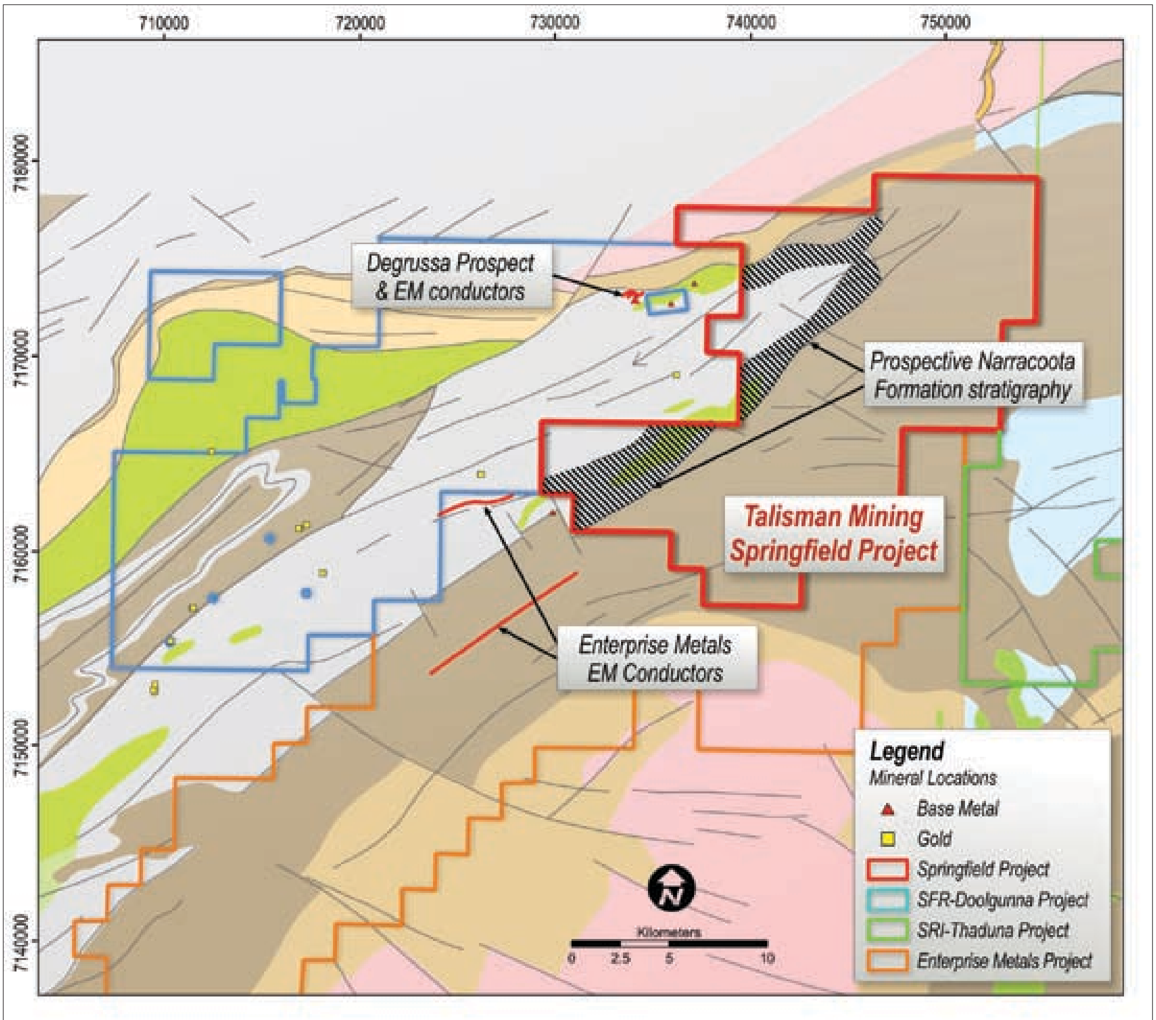

Figure 2 – Springfield Project Geology

- A review and compilation of historical open file data which has identified a previous extensive soil and LAG geochemical sampling survey that was completed over parts of the Upper Narracoota Formation along strike from the DeGrussa Prospect and other parts of the identified prospective horizon (see Figure 3). This data has identified a robust, highly anomalous copper response over an area measuring approximately 4km by 1.25km immediately along strike from the DeGrussa Prospect. The anomalous area is also supported by sporadic high gold values; and

REVIEW OF OPERATIONS (CONTINUED)

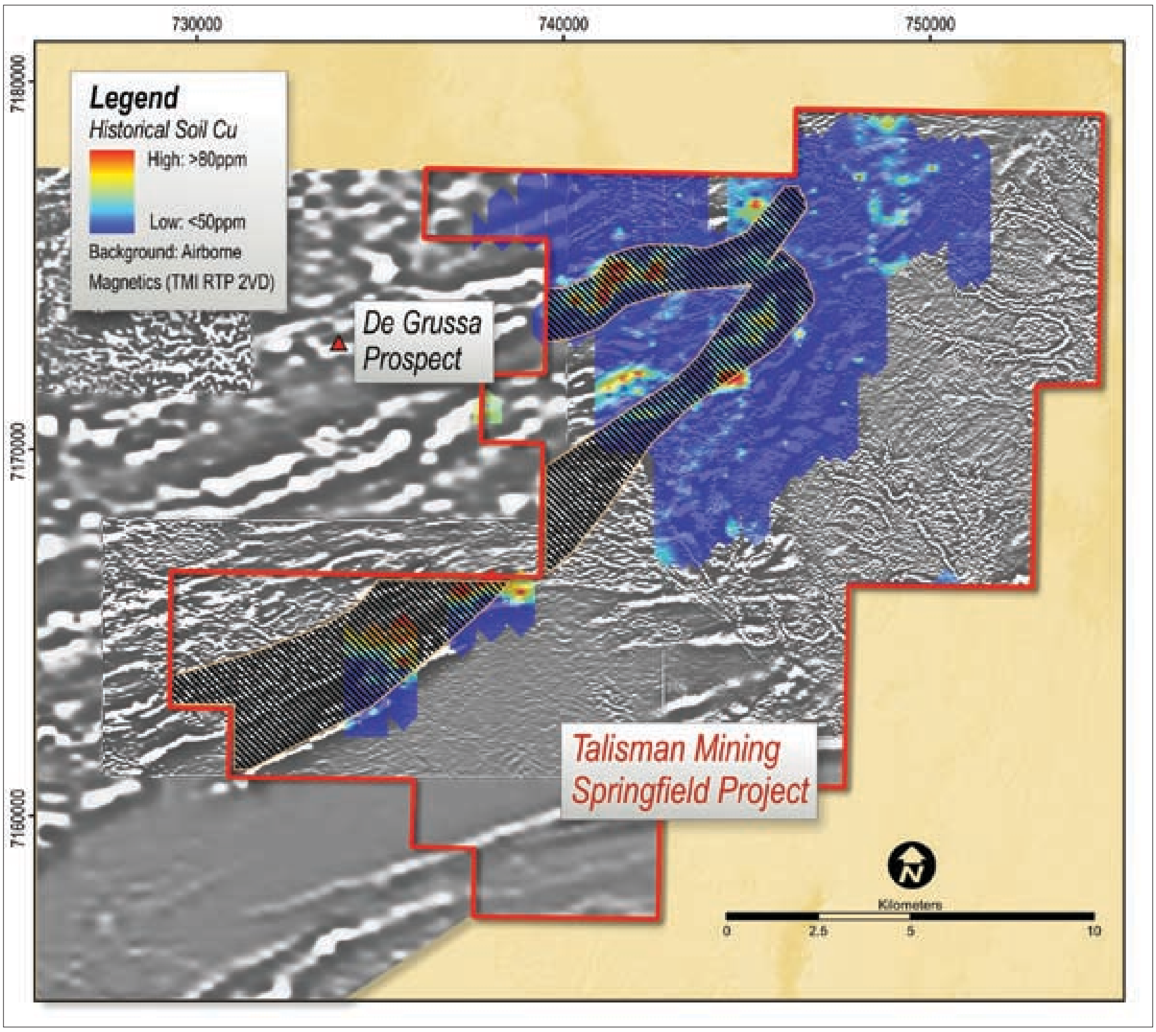

Figure 3 – Springfield Project Historical Soil Geochemistry

- Sourcing regional data sets including satellite imagery, airborne magnetic data and gravity data to enable construction of a regional geological context to establish a platform for new target identification.

In light of the extremely encouraging geochemical sampling results, Talisman plans to be undertaking programs of exploration over the next twelve months that include:

- Detailed multi-element geochemical infill soil sampling covering approximately 5km of the immediate strike extension of the prospective Upper Narracoota Volcanic Formation (see Figure 4). This program is designed to confirm and enhance the existing copper anomaly and provide support from other indicator minerals (eg, gold).
- A program of regional reconnaissance lag and soil sampling to provide a first-pass test of approximately 15km strike of the prospective target Narracoota Formation stratigraphy (Figure 4). The aim of this work is to quickly identify areas that require more detailed in-fill soil sampling.
- Programs of moving loop electromagnetic surveys (MLEM) as follow-up to high priority geochemical anomalies.
- Programs of drilling (aircore, RC percussion and diamond) to follow-up targets generated by the MLEM and geochemical surveys. These drilling programs are subject to the grant of the exploration licences.
- Detailed lithostructural regolith mapping and gossan search.

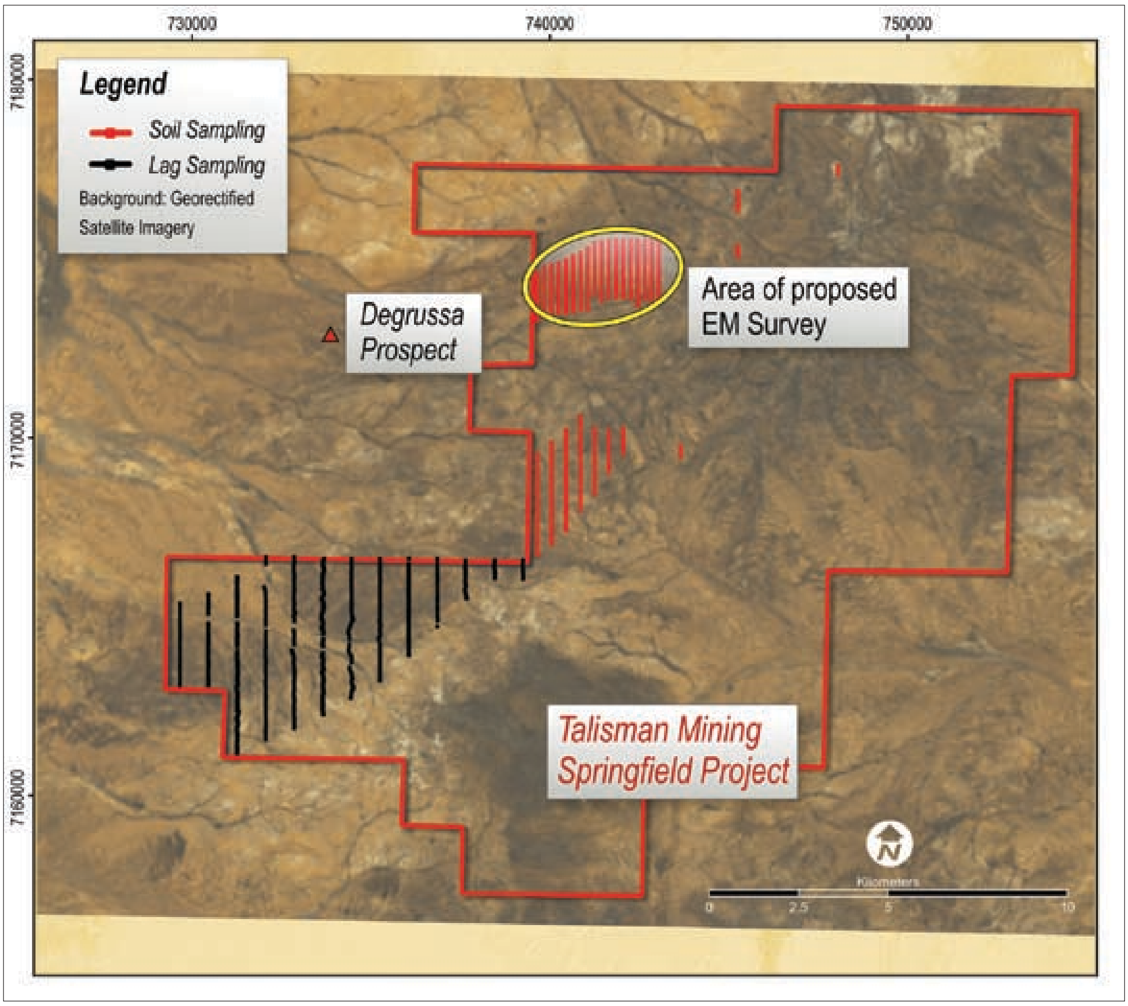

Figure 4 – Springfield Project Exploration Programs

WONMUNNA PROJECT (Fe)

(100% Talisman Mining Ltd)

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) which are prospective for Marra Mamba iron mineralisation and numerous exploration targets prospective for both Marra Mamba and Channel Iron Deposit (CID) mineralisation. To date, JORC inferred resources totalling 78.3Mt @ 56.0% (50% Fe lower cut-off) have been estimated for the Project.

During the year Talisman received the **Wonmunna Scoping Study,** undertaken by AMC Consultants Pty Ltd. 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 Inferred Mineral Resource estimate for the Wonmunna Project (at a 50% Fe cut-off grade) of;

- **78.3 million tonnes @ 56.0% Fe, 6.6% $Si2O3$, 3.6% $Al2O3$, 0.08% P, 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 @ 61.3% Fe, 3.1% $Si2O3$, 1.7% $Al2O3$, 0.08% P, 7.3% LOI.**

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.

REVIEW OF OPERATIONS (CONTINUED)

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.

Table 1: Wonmunna Inferred Iron Ore Mineral Resources.

Prospect	Fe cut-off	Tonnage (Mt)*	Grade Fe %	SiO_2 %	Al_2O_3 %	P %	LOI %
North Marra Mamba	50%	47.2	55.9	6.9	3.7	0.07	8.9
	60%	6.2	61.4	3.0	1.8	0.07	7.2
Central Marra Mamba	50%	15.2	56.8	5.7	3.3	0.10	9.5
	60%	2.4	61.2	3.3	1.7	0.10	7.4
South Marra Mamba	50%	15.9	55.3	6.7	3.8	0.07	9.7
	60%	1.4	61.2	2.9	1.6	0.06	7.6
Wonmunna Total	50%	78.3	56.0	6.6	3.6	0.08	9.2
	60%	10.0	61.3	3.1	1.7	0.08	7.3

*In accordance with Clause 24 of the JORC Code, tonnages have been rounded to the nearest 0.1Mt.

WANDANYA, YILGALONG and GANGARRIGAN PROJECTS (Mn)

(100% Talisman Mining Ltd)

Talisman has recently consolidated a number of key projects (Wandanya, Gangarrigan and Yilgalong) that are prospective for manganese deposits in close proximity to the Woodie Woodie Manganese Mine in the East Pilbara Mineral Field (Figure 5).

Reconnaissance exploration at the Wandanya Project including mapping, rock chip sampling of outcrop and airborne electromagnetic surveys have identified a series of interpreted structurally controlled targets that are highly prospective for near surface deposits of manganese. Rock chip sampling has returned results up to 65% Mn.

A review of the gold potential was undertaken at the Yilgalong Project resulting in a decision to relinquish two tenements. The remaining ground remains highly prospective for manganese mineralisation.

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 and realise value from these projects are currently being investigated and considered.

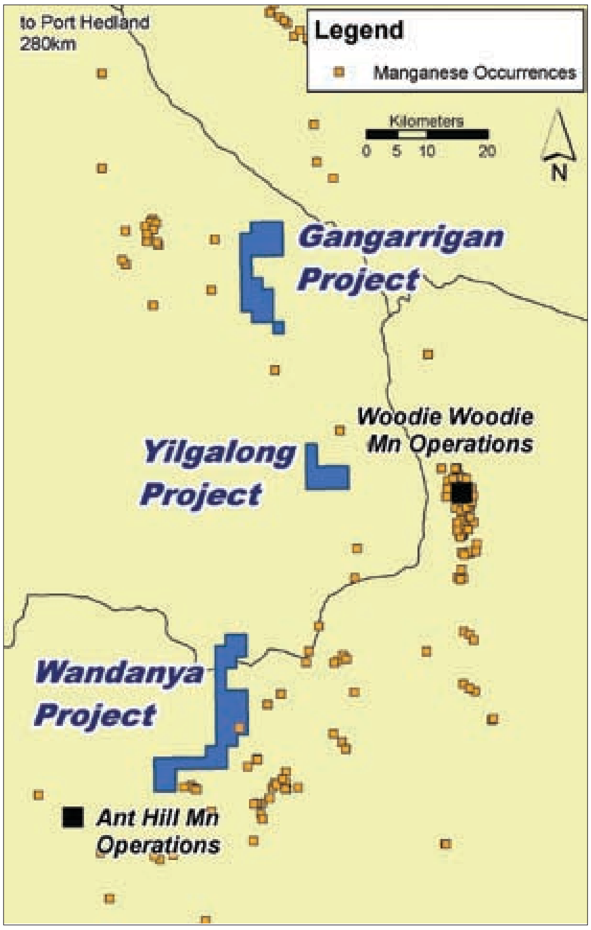

Figure 5 – Manganese Projects Location

UAROO PROJECT (Au, Cu-Au, Ni-Cu-PGE)

(100% Talisman Mining Ltd)

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 that require programs of follow up exploration.

The project is located on granted Native Title and subject to a negotiation process that is unlikely to see further field based exploration undertaken on the tenements till late in 2010.

TRILLBAR PROJECT (Au, Fe, Talc)

(80% Talisman Mining Ltd)

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 many other gold anomalies through the project area. The project is also deemed prospective for iron-ore, talc and uranium.

Table 2: Boundary Inferred Gold Resource.

Au cut-off	Lode Domain		Supergene Domain		Boundary Total	
	Tonnage (Mt)*	Grade (g/t Au)	Tonnage (Mt)*	Grade (g/t Au)	Tonnage (Mt)*	Grade (g/t Au)
0.5g/t	0.97	1.59	0.02	1.68	1.0	1.57
1.0g/t	0.41	2.55	0.01	2.69	0.4	2.55

*In accordance with Clause 24 of the JORC Code, tonnages have been rounded to the nearest 0.1Mt.

During the year the project tenement holdings have been consolidated to include 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).

As part of the broader exploration strategy the Trillbar Project will be reviewed to determine whether it has the attributes that satisfy the company's criteria moving forward and what opportunities exist to realise value.

MAITLAND PROJECT (Au, Fe, U)

(80% Talisman Mining Ltd)

The Maitland Project is located in the northern Murchison gold field, approximately 120km north west of Meekatharra.

The Maitland Project covers a sequence of Archean mafic, ultramafic and sedimentary rocks that have shown by reconnaissance exploration by Talisman to be prospective for gold mineralisation hosted in a series of lodes across the project.

In addition to gold, the project is considered prospective for high grade iron ore as hematite-enriched BIF-hosted deposits (Midwest style), with results up to 55% Fe returned from channel sampling, as well as potential for calcrete-hosted uranium deposits (as carnotite) developed within drainages from the surrounding Archean granite/gneiss terrain. The nearby Fairstar Uranium Prospect has returned rock chip results up to 2410ppm U.

This project will be subject to review during the 2010 financial year.

MILGUN PROJECT (Au, Cu-Au)

(100% Talisman Mining Ltd)

The Milgun Project is located in the northern Murchison gold field, approximately 180km north west of Meekatharra.

The project covers a sequence of dominantly mafic rocks and sediments interpreted to be part of the Upper Narracoota Formation that are prospective for gold and copper-gold mineralisation. The project is in relatively close proximity to the Labouchere and Fortnum Gold Operations.

REVIEW OF OPERATIONS (CONTINUED)

The Milgun Project to date has largely been viewed as a gold project, however the recent discovery of the DeGrussa Deposit at Sandfire Resources Ltd Doolgunna Project, has highlighted the potential of the Upper Narracoota Formation to host high grade Cu-Au volcanic hosted massive sulphide deposits.

On this basis a full data compilation and review has commenced to identify potential targets for follow-up exploration. Access to the project is currently delayed by Native Title access negotiations.

OTHER PROJECTS

Anticline

(100% Talisman Mining Ltd)

Fortescue Metals Group (FMG) holds all the rights to iron ore with Talisman retaining a tonnage based royalty capped at $8m. FMG's Eliwana Prospect is partially located on Talisman's tenements and has been subject to some resource definition activities over the past 12 months.

Talisman has not undertaken any gold or base metals exploration on the project during the year.

Tom Price

(100% Talisman Mining Ltd)

Fortescue Metals Group (FMG) holds all the rights to iron ore with Talisman retaining a tonnage based royalty capped at $8m. FMG are yet to drill-test the iron ore potential of the Spring Creek channel iron deposit (CID), and Talisman considers there is real (as yet untested) potential for Marra Mamba hosted iron ore adjacent to the Tom Price Marra Mamba Deposit.

Talisman has not undertaken any gold or base metals exploration on the project during the year.

Yamada

(100% Talisman Mining Ltd)

The Yamada Project is located within the Proterozoic age Earaheedy Basin some 300km north east of Meekatharra.

The project was pegged as a new generation iron ore play that has demonstrated some potential for good to moderate grade hematite mineralisation in the form of granular iron mineralisation (GIF). Giralia Resources NL have recently reported encouraging results in close proximity to Yamada.

No field based exploration is planned pending the grant of the exploration licence.

Yamarna

(100% Talisman Mining Ltd)

Yamarna is a gold and nickel project pegged over an outcropping Archean greenstone belt approximately 160km north east of Laverton. The project is largely within the Cosmo Newberry Aboriginal reserve and it is expected that grant of the tenements will take some time.

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 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 this report of the matters based on information in the form and context in which it appears.

Tenement Schedule

Project	Tenement	Blocks (Area)	Talisman Equity (%)	JV Partner	Expiry	Annual Commitment	Comments
ANTICLINE	E47/1194	28	100	FMG (Fe)	12/12/09	$56,000	
	E47/1195	35	100	FMG (Fe)	12/12/09	$70,000	
	E47/1196	35	100	FMG (Fe)	12/12/09	$70,000	
GANGARRIGAN	E45/3268	1	100		17/06/14	$10,000	
	E45/3269	23	100		17/06/14	$23,000	
MAITLAND	E51/1006	17	80	Murchison	23/07/11	$34,000	
MILGUN	E52/2281	41	100		20/01/14	$41,000	
SPRINGFIELD	E52/2282	84	100				application
	E52/2113	14	100				application
	E52/2466	14	100				application
TOM PRICE	E47/1136	30	100	FMG (Fe)	19/02/10	$60,000	
TRILLBAR	E52/1597	4	80	Murchison	11/01/11	$20,000	
	E52/1607	2	80	Murchison	27/06/11	$20,000	
	E52/1675	24	100		27/07/11	$39,000	
	E52/1691	31	80	Murchison	15/02/11	$61,000	
	E52/2399	11	80	Murchison			application
	M52/1041	(1234.0 Ha)	80	Murchison			application
UAROO	E08/1939	138	100				application
WANDANYA	E46/0764	36	100		20/05/14	$36,000	
WONMUNNA	E47/1137	69	100		28/08/09	$138,000	
	M47/1423	(670.0 Ha)	100				application
	M47/1424	(1514.0 Ha)	100				application
	M47/1425	(529 Ha)	100				application
YAMADA	E69/2460	83	100				application
YAMARNA	E38/2223	53	100				application
	E38/2330	48	100				application
	E38/2331	15	100				application
YILGALONG	E45/3220	10	100			$20,000	

REVIEW OF OPERATIONS (CONTINUED)

RC Drilling at Wonmunna

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Company is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition 2007 ("Recommendations").

Further information about the Company's corporate governance practices is set out on the Company's website at www.talismanmining.com.au. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Establish and disclose the functions reserved to the board and those delegated to senior executives.

The board has established functions that are reserved for the board, as separate from those functions discharged by the Managing Director and are summarised in the Company's Board Charter which is available on the Company's website.

The Board retains responsibility for the following key areas:

(a) providing leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction.

(b) overseeing the Company, including its control and accountability systems;

(c) appointing the chief executive officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the chief executive officer, or equivalent;

(d) ratifying the appointment and, where appropriate, the removal of senior executives;

(e) approving the Company's policies on risk oversight and management, internal compliance and control, ***Code of Conduct***, and legal compliance;

(f) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;

(g) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;

(h) monitoring, reviewing and challenging senior management's performance and implementation of strategy;

(i) ensuring appropriate resources are available to senior management;

(j) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

(k) monitoring the financial performance of the Company;

(l) ensuring the integrity of the Company's financial and other reporting (with the assistance of the Audit Committee, if applicable) through approval and monitoring;

(m) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;

(n) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;

(o) engaging with the Company's external auditors and Audit Committee;

(p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and

(q) make regular assessment of whether each non-executive director is independent in accordance with the Company's *Policy on Assessing the Independence of Directors*.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. The Managing Director must also report to the Board in a timely manner on those matters included in the Company's risk profile, all relevant operational matters and any other material matter.

The functions and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations.

The Managing Director is also responsible for appointing and, where appropriate, removing senior executives, including the chief financial officer and the company secretary, with the approval of the Board. The Managing Director is also responsible for evaluating the performance of senior executives.

Recommendation 1.2 – Disclose the process for evaluating the performance of senior executives.

The Remuneration Committee is charged with periodic review of the job description and performance of the Managing Director according to agreed performance parameters.

The Managing Director and senior executives were the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken progressively and periodically.

The Company's website contains a section formally setting out the Company's Process for Performance Evaluation.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 1.3 – Provide the information in the guide to reporting on Recommendations.

The Company is not aware of any departure from Recommendations 1.1 or 1.2. Performance evaluations for senior executives have taken place in the reporting period in accordance with the process disclosed.

The board charter is publically available at www.talismanmining.com.au and it includes a description of what matters are reserved for the board or senior executives respectively.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – A majority of the Board should be independent directors.

For the majority of the year the Board had a majority of independent directors. From 17th June 2009, 2 further executive director appointments were made following a Board re-structure. From this date the Company does not have a majority of independent directors and does not comply with Recommendation 2.1.

The Board of Talisman believes that the current structure is the most appropriate for the Company having regard to its size, its current level of operations and its strategy of minimising operating costs. As the Company grows and / or circumstances change, the Board may make further appointments of independent directors if considered appropriate.

Recommendation 2.2 – The chairperson should be an independent director.

Alan Senior, the Chairman of the company is an independent director.

Recommendation 2.3 –The roles of chairperson and chief executive officer should not be exercised by the same individual.

The role of the Chairperson is filled by Alan Senior (independent non-executive Director).

The role of the Managing Director and CEO is filled by Gary Lethridge.

Recommendation 2.4 – The Board should establish a nomination committee.

The Company has a separate nomination committee, comprising the independent directors of the Company at any one time. The committee met twice during the year and attendances by committee members are recorded in the Directors' Report.

Recommendation 2.5 – Disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board is charged with Board and Board Committee membership, succession planning and performance evaluation, as well as Board member induction, education and development.

The Company has adopted policies and procedures concerning the evaluation and development of its directors, executives and Board committee. Procedures include an internal Board performance assessment, an induction protocol and ongoing discussions with regard to the performance of the Board and its directors.

The Company's Process for Performance Evaluation is available on the Company's website.

Recommendation 2.6 – Provide the information indicated in Guide to reporting on Principle 2.

Contained in the Directors' Report section of this Annual Report are details of the skills, experience and expertise held by each Director in office at the date of this Annual Report;

The terms of office, and their status as executive/non-executive/independent, for each director for the year ending 30 June 2009 were as follows (with all directors noted as continuing in office as at 30 June 2009 and still being in office at the date of this annual report):

Alan Senior	Non-executive/independent (appointed 7 November 2007)
Gary Lethridge	Executive/ non-independent (appointed 2 February 2009)
Peter Langworthy	Executive/ non-independent (appointed 17 June 2009)
Brian Dawes	Executive/ non-independent (appointed 17 June 2009)
Karen Gadsby	Non executive/ independent (appointed 3rd April 2008)

The Company has accepted the definition of "independence" in the Recommendations in making the above assessments of independence.

The Company's Corporate Governance Charter empowers a director to take independent professional advice at the expense of the Company.

In accordance with the Process for Performance Evaluation, an evaluation of Board Performance took place during the period in accordance with this process.

The Company's procedure for the selection and appointment of new directors is available on the Company's website along with a copy of the Nomination Committee Charter.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Establish a code of conduct and disclose the code, or a summary as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and

3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established a formal code of conduct to guide the Directors, the Managing Director and the CFO (or equivalent) with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The code of conduct is disclosed on the Company's website.

Recommendation 3.2: Establish and disclose the Policy Concerning Trading in Company Securities by directors, officers and employees.

The Company's policy concerning trading in Company securities by Directors, officers and employees is set out on the Company's website.

Recommendation 3.3: Provide the Information Indicated in Guide to Reporting on Principle 3.

The Company is not aware of any departures from Recommendations 3.1, 3.2 or 3.3.

Copies of the Company's Code of Conduct and its Share Trading Policy are publicly available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2, 4.3 and 4.4: The Board should establish an Audit Committee.

The Board has established a separate Audit Committee comprising the independent directors. The Committee met 5 times during the year and attendances by committee members are recorded in the Directors' Report.

Ms Karen Gadsby, the Chair of the Audit Committee has held a number of Audit Committee positions, is a qualified Chartered Accountant and is deemed to have the relevant knowledge and experience to guide the Committee.

A copy of the Company's Audit Committee Charter is available on the Company's website. The Company's process for the selection, appointment and rotation of the Company's external auditors is also available on the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance.

Recommendation 5.2: Provide the information indicated in *Guide to reporting on Principle 5*.

The Company is not aware of any departure from Recommendations 5.1 or 5.2.

The Company's Policy on ASX Listing Rule Compliance is publicly available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The Company has adopted policies formally setting out the Company's communications strategy with its stakeholders including the effective use of electronic communications.

The board encourages the attendance of shareholders at the Shareholders' Meetings and sets the time and place of each Shareholders Meeting to allow maximum attendance by shareholders.

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

Details of how the Company will communicate with its shareholders publicly is set out under the heading "Shareholder Communication Policy" which is publicly available on the Company's website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has adopted a formal policy on risk oversight and management.

A summary of the Company's policy on these matters is set out under the heading "Summary of Risk Management Policy" which is publicly available on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 7.2: The Board to require management to design and implement the risk management and internal control system to manage the Company's material business risks, and report to it on whether those risks are being managed effectively. Board to disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Company has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company. A risk register is updated and tabled at appropriate Board meetings throughout the year. Key risks addressed include

- Occupational Health and Safety
- Protection of assets
- Market risk
- Liquidity risk
- Compliance risk

The Board recognises that as the Company develops. the current system may not be appropriate. As such, the Board has required management to progress matters and report to it in terms of this Recommendation. It is envisaged that an updated system for managing ongoing and future material business risks will be implemented during the next financial year.

Recommendation 7.3: Board to disclose whether it has received assurance from the Managing Director (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company's Managing Director and CFO (or equivalent) provided the Board assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Provide the information indicated in *Guide to reporting on Principle 7*.

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes.

A summary of the Company's policies on risk oversight and management of material business risks is publicly available under the heading "Risk Management Policy" in the Charter on the Company's website although it is acknowledged that a more detailed policy will be introduced once the review contemplated above has been completed.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board should establish a remuneration committee.

The Board has established a Remuneration Committee comprising the independent directors. 3 meetings were held during the year with and attendances by committee members are recorded in the Directors' Report.

Recommendation 8.2: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives.

The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report to this Annual Report.

Recommendation 8.3: Provide the information indicated in Guide to reporting on Principle 8

Non Executive Director Retirement Benefits
Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.

Limiting Risk
Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

Information Publicly Available
The Company's website contains a section formally setting out the Remuneration Committee.

DIRECTORS' REPORT

The directors of Talisman Mining Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	**Particulars**
Mr Alan Senior	**Non-Executive Chairman**
Asscshp Mech Eng, FIEAUST, CPEng, FAusIMM	Alan has extensive experience at all stages of projects, from pre-feasibility through to commissioning and operation, for plants handling and/or processing iron ore, gold, copper, bauxite, uranium, and coal. Throughout his career Alan has worked for the iron ore industry. In the 1970's and early 80's he worked as a designer on major expansion projects for Mt Newman Mining (now BHPB) and Hamersley Iron (now CRA). Alan graduated from the West Australian Institute of Technology (Curtin University) with an Associateship in Mechanical Engineering in 1968. He is an engineer with over 35 years experience in design and project development, mainly associated with the mining and mineral processing industry in Australia. Alan was a non-executive Director of Jubilee Mines NL up until its purchase by Xstrata. Before joining the board of Jubilee in 2003 he led the team which completed the feasibility study for the Cosmos Nickel project and its successful implementation, followed three years later by the transition from open cut to underground mining. Alan is also a non-executive Director of Tanami Gold NL. Alan is a Fellow of the Institution of Engineers Australia, a Fellow of the Australian Institute of Mining and Metallurgy, and a Chartered Professional Engineer.
Mr Gary Lethridge	**Managing Director (appointed 2 February 2009)**
B. Comm, CA, FCIS, MAICD	Gary has spent the past 14 years within the resources industry and has been involved in all phases and aspects of gold and base metals resources projects. Prior to joining Talisman, he held the position of Executive General Manager Corporate / Chief Financial Officer of the highly successful Australian nickel producer Jubilee Mines NL. Before that, Mr Lethridge held senior executive positions with LionOre Mining International Limited in Australia. A chartered accountant, he commenced his career with Ernst & Young in 1984.
Mr Brian Dawes	**Executive Director (appointed 16 June 2009)**
B. Sc. Mining, MAusIMM(CP)	Brian has a mining engineering background with over 25 years experience in corporate, senior management, operational, consulting, and planning roles. A graduate of Leeds University, he has extensive experience across a diverse set of base metal and gold projects around Australia and holds first class mine managers certificates for WA, Queensland, Tasmania, and the NT. He has lived in Africa and the Middle East working on established and greenfields base metal projects. Previously Brian has held the positions of: EGM Operations & Projects with Jubilee Mines until its sale, GM Operations with Western Areas, Group Mining Engineer with LionOre Australia, and other roles with WMC, Normandy Mining, Aberfoyle, Minproc and MIM.
Mr Peter Langworthy	**Technical Director (appointed 16 June 2009)**
B. Sc. Hons, MAusIMM	Peter is a Geologist with over 23 years experience in the exploration and mining industry, including senior technical, management and corporate roles. Prior to taking his current role with Talisman he held the role of Executive General Manager – Exploration with Jubilee Mines NL where he played a significant role in the exploration, mining and management of the company. Post the successful takeover of Jubilee by Xstrata Nickel Australasia Pty Ltd, Peter acted as the Chief Operating Officer and was responsible for the integration of the Jubilee business into the Xstrata Nickel Business. He has extensive experience in nickel sulphide, gold and base metals exploration, extending to regional exploration and operating mines.
Ms Karen Gadsby	**Non-Executive Director**
B. Comm, FCA, MAICD	Karen has 24 years experience in Finance, graduated from UWA with a Bachelor of Commerce in 1984 and qualified as a Chartered Accountant with Coopers and Lybrand (WA) in 1987. Karen worked for North Ltd throughout Australia for 13 years in various executive roles including 6 years with Robe River Iron Associates in Perth. She has held the positions of General Manager Finance, CFO and Company Secretary. She now resides in WA, has been involved with boards for over 12 years and now predominately works as a non-executive director. She is currently a director of the following boards; Forest Products Commission; Community First International Ltd and Perth Home Care Services and was previously a director of AMES(Vic) GMHBA (Vic) and Western Health (Vic). Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards. She also consults and advises in the areas of business and finance strategy, change management and executive mentoring. Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.

DIRECTORS' REPORT (CONTINUED)

The above named directors held office during and since the end of the financial year except for:

Mr Gary Lethridge	appointed 2 February 2009
Mr Brian Dawes	appointed 16 June 2009
Mr Peter Langworthy	appointed 16 June 2009
Mr Steven Elliott	resigned 24 November 2008
Mr Michael (Mick) Bunyard	resigned 5 June 2009

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Appointed	Resigned
Alan Senior	Jubilee Mines NL	14 February 2003	7 February 2008
	Tanami Gold NL	31 July 2007	current
Gary Lethridge	Falcon Minerals Ltd	24 January 2005	18 February 2008
	Northern Star Resources Ltd	14 April 2004	7 February 2008
Peter Langworthy	Pioneer Resources Ltd (formerly Pioneer Nickel Ltd)	29 November 2004	22 July 2009
	Northern Star Resources Ltd	16 June 2006	22 April 2009
	Falcon Minerals Limited	18 February 2008	31 July 2009
Brian Dawes	-	-	-
Karen Gadsby	-	-	-
Steven Elliott	-	-	-
Mick Bunyard	-	-	-

Directors' shareholdings

The following table sets out each director's relevant interest in shares, and rights or options in shares of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
Alan Senior	116,666	4,000,000
Gary Lethridge	666,667	4,000,000
Brian Dawes	353,333	2,000,000
Peter Langworthy	666,667	4,000,000
Karen Gadsby	244,667	2,000,000

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

Share options granted to directors and senior management

During and since the end of the financial year an aggregate 10,000,000 share options were granted following shareholder approval to the following directors and the five highest remunerated officers of the Company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Gary Lethridge (i)	4,000,000	Talisman Mining Limited	4,000,000
Brian Dawes (ii)	2,000,000	Talisman Mining Limited	2,000,000
Peter Langworthy (iii)	4,000,000	Talisman Mining Limited	4,000,000

(i) 2.0 million options vest 17 March 2009; 1.0 million options vest 30 June 2009; and 1.0 million options vest 31 December 2009.

(ii) 0.25 million options vest 23 July 2009; 0.5 million options vest 31 December 2009; 0.5 million options vest 30 June 2010; 0.5 million options vest 31 December 2010; and 0.25 million options vest 30 June 2011.

(iii) 0.5 million options vest 23 July 2009; 1.0 million options vest 31 December 2009; 1.0 million options vest 30 June 2010; 1.0 million options vest 31 December 2010; and 0.5 million options vest 30 June 2011.

Company secretary

Darren Crawte LL.B (Hons), ACA

Darren is a qualified Chartered Accountant with 9 years experience working within public practice, specifically within the area of audit and assurance both in Australia and the United Kingdom. He is a director of Ord Nexia Pty Ltd, a long established chartered accountancy firm and holds similar secretarial roles in various other listed public companies.

Principal activities

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for base metals, iron ore and gold.

Review of operations

A detailed review of operations during the financial year is set out in the section titled "Review of Operations" in this Annual Report.

Changes in state of affairs

There was no significant change in the state of affairs of the Company during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than:

- The Company issued an aggregate total of 6,219,997 fully paid ordinary shares at $0.30 each on 23 and 27 July 2009 following shareholder approval at the General Meeting held on 23 July 2009. This issue which raised a total of $1,866,000 (before costs of the issue) represented the final allocation under a general placement to raise $5,261,837.
- On the 23 July 2009, pursuant to shareholder approval at the General Meeting held on that date, 6,000,000 unlisted incentive options exercisable at various prices between $0.50 to $0.70 at various vesting periods, expiring on 30 June 2013 were issued to Messrs Langworthy and Dawes. Further details on the terms of the options are detailed below in the Remuneration Report.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the year ended 30 June 2009.

Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation for the payment of a dividend has been made.

Share options

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Talisman Mining Limited	24,652,257	Ordinary	$0.20	31 December 2010
Talisman Mining Limited	2,222,000	Ordinary	$0.25	31 December 2010
Talisman Mining Limited	1,400,000	Ordinary	$1.20	31 December 2010
Talisman Mining Limited	1,500,000	Ordinary	$1.00	30 November 2010
Talisman Mining Limited	1,500,000	Ordinary	$1.20	30 November 2010
Talisman Mining Limited	1,000,000	Ordinary	$1.60	30 November 2010
Talisman Mining Limited	1,000,000	Ordinary	$2.20	30 November 2010
Talisman Mining Limited	500,000	Ordinary	$1.00	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$1.20	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$1.60	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$2.20	31 May 2011
Talisman Mining Limited	4,000,000	Ordinary	$0.22	31 August 2011
Talisman Mining Limited	2,250,000	Ordinary	$0.50	30 June 2013
Talisman Mining Limited	1,500,000	Ordinary	$0.60	30 June 2013
Talisman Mining Limited	2,250,000	Ordinary	$0.70	30 June 2013

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

DIRECTORS' REPORT (CONTINUED)

Shares issued on exercise of options

Details of shares or interests issued during or since the end of the financial year as a result of the exercise of options are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Talisman Mining Limited	175,000	Ordinary	$0.20	-

Shares options that expired/lapsed

Details of share options that expired or lapsed during or since the end of the financial year are:

Issuing entity	Number of options lapsed	Class of shares	Exercise price of options	Expiry date of options
Talisman Mining Limited	500,000	Ordinary	$1.60	30 November 2010
Talisman Mining Limited	500,000	Ordinary	$2.20	30 November 2010

The above options lapsed unvested following the resignation of a director.

Indemnification of officers and auditors

During the financial year, the Company entered into a contract insuring the directors and executive officers of the Company and of any related body corporate against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or related body corporate against a liability incurred as an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings, 5 audit committee meetings, 3 remuneration committee meetings and 2 nomination committee meetings were held.

Directors	Board of directors		Audit committee		Remuneration committee		Nomination committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Alan Senior	11	10	5	4	3	3	2	2
Gary Lethridge	4	4	-	-	-	-	-	-
Brian Dawes	1	1	-	-	-	-	-	-
Peter Langworthy	1	1	-	-	-	-	-	-
Karen Gadsby	11	11	5	5	3	3	2	2
Steve Elliott	5	5	-	-	-	-	-	-
Mick Bunyard	10	10	5	5	3	2	2	2

Proceedings on behalf of the company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Talisman Mining Ltd.

Non-audit services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 23 of the annual report.

REMUNERATION REPORT

This Remuneration Report, which forms part of the directors' report, sets out information about the remuneration of Talisman Mining Limited's key management personnel for the financial year ended 30 June 2009. Disclosures required under AASB 124 ***Related Party Disclosures*** have been transferred from the financial report and have been audited. The additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 have not been audited.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details
- remuneration policy and relationship between the remuneration policy and company performance;
- remuneration of key management personnel; and
- key terms of employment contracts

Key management personnel details

The key management personnel of Talisman Mining Limited during the year or since the end of the year were:

Alan Senior	Chairman
Gary Lethridge	Managing Director, appointed 2 February 2009
Brian Dawes	Executive Director, appointed 16 June 2009
Peter Langworthy	Technical Director, appointed 16 June 2009
Karen Gadsby	Non Executive Director
Steve Elliott	Managing Director, resigned 24 November 2008
Mick Bunyard	Non Executive Director, resigned 5 June 2009
Harry Cornelius	Exploration Manager

Included in key management personnel above are the 5 highest remunerated executives of the Company.

Remuneration policy and relationship between the remuneration policy and company performance

<u>Key management personnel (excluding non-executive directors)</u>

The Board is responsible for determining the remuneration policies for the Company, including those affecting executive directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive directors and other key management personnel has two main components: fixed remuneration and long term incentive.

<u>Fixed remuneration</u>

Executive directors and other key management personnel receive fixed remuneration in the form of a base salary (inclusive of statutory superannuation).

<u>Long term incentive</u>

To align the interests of key management personnel with the long term objectives of the Company and its shareholders, the Company's policy, having regard to the stage of development of its assets, is to issue share options at the complete discretion of the Board, subject to shareholder approval for directors. Vesting conditions relating to the performance of the company are not considered appropriate having regard to the stage of development of the Company's assets.

<u>Non- executive directors</u>

The Company's non-executive directors receive fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's non-executive directors reflect the demands on, and responsibilities of the directors. They do not receive any retirement benefits (other than compulsory superannuation). The Board decides annually the level of fees to be paid to non-executive directors with reference to market standards.

Non executive directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options vest across the life of the option and are primarily designed to provide an incentive to non-executive directors to remain with the Company.

A non-executive directors' fee pool limit of $300,000 per annum was approved by the shareholders at the General Meeting on 19 May 2008 and is currently utilised to a level of $130,000 per annum. The fee currently paid to the non executive Chairman is $80,000 per annum and $50,000 per annum for the non executive directors (excluding statutory superannuation).

DIRECTORS' REPORT (CONTINUED)

Remuneration of key management personnel

2009	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other (i) $	Super-annuation $	$	Options $	$	%
Directors									
Alan Senior	76,667	-	-	-	6,900	-	485,048	568,615	85%
Gary Lethridge	108,541	-	-	-	9,769	-	760,716	879,026	86%
Brian Dawes	10,200	-	-	-	918	-	-	11,118	-
Peter Langworthy	34,560	-	-	-	-	-	-	34,560	-
Karen Gadsby	46,667	-	-	13,000	4,200	-	400,063	463,930	86%
Steve Elliott	95,640	-	-	-	8,608	-	-	104,248	-
Mick Bunyard	43,462	-	-	-	3,912	-	110,857	158,231	70%
Executives									
Harry Cornelius	157,728	-	-	-	14,195	-	79,300	251,223	32%
	573,465	-	-	13,000	48,502	-	1,835,984	2,470,951	

(i) Relates to a one off consulting fee paid on arms lengths terms and conditions.

2008	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	Options $	$	%
Directors									
Alan Senior	42,518	-	-	-	3,827	-	468,975	515,320	91%
Steven Elliott	145,000	-	-	-	13,050	-	-	158,050	-
Mick Bunyard	29,250	-	-	-	2,633	-	238,655	270,538	88%
Karen Gadsby	9,450	-	-	-	850	-	99,874	110,174	91%
Ian Macpherson	13,800	-	-	-	-	-	-	13,800	-
Executives									
Harry Cornelius	137,500	-	-	-	12,375	-	57,532	207,407	28%
	377,518	-	-	-	32,735	-	865,036	1,275,289	

No director or executive appointed during the year received a payment as part of his or her consideration or agreeing to hold the position.

Share based payments granted as compensation for the current financial year.

Incentive share based payment arrangements

During the financial year the following share based payment arrangements for key management personnel were in existence:

Options series	Grant date	Expiry date	Fair value per option at grant date $	Vesting date
1) Issued 3 September 2007	11 May 2007	31 December 2010	0.08	Vests at date of grant
2) Issued 25 March 2008	19 May 2008	31 December 2010	0.32	Vests on 30 April 2009
3) Issued 21 May 2008	19 May 2008	30 November 2010	0.34	Vests at date of grant
4) Issued 21 May 2008	19 May 2008	30 November 2010	0.31	Vests on 30 November 2008
5) Issued 21 May 2008	19 May 2008	30 November 2010	0.27	Vests on 30 November 2009
6) Issued 21 May 2008	19 May 2008	30 November 2010	0.23	Vests 30 September 2010
7) Issued 21 May 2008	19 May 2008	31 May 2011	0.37	Vests 30 November 2008
8) Issued 21 May 2008	19 May 2008	31 May 2011	0.35	Vests 31 May 2009
9) Issued 21 May 2008	19 May 2008	31 May 2011	0.31	Vests 31 May 2010
10) Issued 21 May 2008	19 May 2008	31 May 2011	0.27	Vests 31 March 2011
11) Issued 20 March 2009	20 March 2009	31 August 2011	0.15	Vests at the grant date
12) Issued 20 March 2009	20 March 2009	31 August 2011	0.15	Vests 30 June 2009
13) Issued 20 March 2009	20 March 2009	31 August 2011	0.15	Vests 31 December 2009

There are no performance criteria that need to be met in relation to options granted under series 1 to 13 before the beneficial interest vests in the recipient. However, key management personnel receiving options under series 1 to 13 are only entitled to receive the beneficial interest under the option if they continue to be employed with the company at the time the option vests.

The following grants of share based payment compensation to key management personnel relate to the current financial year:

Name	Options series (as per previous table)	During the financial year				
		No. granted	No. vested and exercisable	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Gary Lethridge	11, 12, 13	4,000,000	3,000,000	75%	N/A	86%

The assessed fair value at grant date of options granted to the individuals in the above table is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables in this remuneration report. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 are as follows:

Input	Series 11, 12 & 13 (as per previous table)
Exercise Price (i)	$0.22
Grant date	17 March 2009
Expiry date	31 August 2011
Share price at grant date	$0.29
Expected volatility	142%
Risk free rate	3.73%

(i) The terms of the options were agreed on the 22 December 2008, being the date Mr Lethridge accepted his appointment as Managing Director. The share price of the Company at that time was $0.09. The formal grant date was 17 March 2009 being the date shareholder approval was received.

During the year, no key management personnel exercised options that were granted to them as part of their compensation.

DIRECTORS' REPORT (CONTINUED)

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

Name	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse (ii) $	Total $
Gary Lethridge	904,720	-	-	904,720
Mick Bunyard	-	-	247,300	247,300

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) Options lapsed as the vesting conditions were not satisfied following the resignation of a Director.

Key terms of employment contracts

Remuneration and other terms of employment for Gary Lethridge, Managing Director, are formalised in a service agreement. Major provisions of this agreement are set out below:

- Base fee reviewed annually, currently $275,000 per annum (exclusive of superannuation entitlements).
- Three year employment contract commencing 2 February 2009, with an election for a further period of 2 years.
- Notice period of three months.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, at the end of the notice period is three months salary. Where there Company elects to dispense with the notice period and terminate employment, six months salary applies.

Remuneration and other terms of employment for Peter Langworthy, Executive/Technical Director, are formalised in a service agreement. Major provisions of this agreement are set out below:

- Base fee reviewed annually, currently $270,000 per annum (exclusive of superannuation entitlements).
- Employment contract is ongoing and is reviewed and extended annually.
- Notice period of three months.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, at the end of the notice period is three months salary. Where there Company elects to dispense with the notice period and terminate employment, six months salary applies.

Remuneration and other terms of employment for Brian Dawes, Executive Director, are formalised in a service agreement. Major provisions of this agreement are set out below:

- Consultancy fee basis, currently at $120 per hour (exclusive of superannuation entitlements).
- Notice period of three months.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, at the end of the notice period is three months average consultancy fees based on the previous six months. Where there Company elects to dispense with the notice period and terminate employment, six months average consultancy fees apply.

Remuneration and other terms of employment for Harry Cornelius, Exploration Manager, are formalised in a letter agreement. Major provisions of this agreement are set out below:

- Base fee reviewed annually, currently $165,138 per annum (exclusive of superannuation entitlements).
- Employment contract is ongoing and is reviewed and extended annually.
- Notice period of four weeks.
- Employment may be terminated by either the employee or the Company giving four weeks notice in writing. Alternatively, the employment may be terminated by the Company providing paid compensation instead of the required period of notice. In the event of serious misconduct the Company may terminate the employment without notice or compensation.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Gary Lethridge

Managing Director

Perth, 29 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Talisman Mining Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Talisman Mining Limited.

Perth, Western Australia	**L DI GIALLONARDO**
29 September 2009	**Partner, HLB Mann Judd**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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INDEPENDENT AUDITOR'S REPORT

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
Talisman Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Talisman Mining Limited, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 27 to 49.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Talisman Mining Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 22 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Talisman Mining Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

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Perth, Western Australia
29 September 2009

L DI GIALLONARDO
Partner

INDEX TO THE FINANCIAL REPORT

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DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Gary Lethridge

Managing Director

Perth, 29 September 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Other income	4	245,633	219,203
Employee benefits expense		(2,375,054)	(1,063,946)
Exploration expenditure expensed as incurred		(596,190)	-
Impairment of exploration expenditure		(302,098)	(243,838)
Occupancy expenses		(160,616)	(144,546)
Administration expenses		(565,631)	(512,384)
Depreciation and amortisation expense		(49,158)	(31,269)
Finance costs	5	(2,772)	(5,395)
Share of profits of associates and jointly controlled entities accounted for using the equity method		-	(2,653)
Provision for impairment of investment in associate		(431)	(129,096)
Loss before income tax	6	(3,806,317)	(1,913,924)
Income tax benefit	7	187,565	146,754
Loss for the year		(3,618,752)	(1,767,170)
Loss per share			
Basic (cents per share)	18	(4.75)	(2.69)

Diluted loss per share has not been calculated as it does not increase loss per share

Notes to the financial statements are included on pages 32 to 49.

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	2009 $	2008 $
Current assets			
Cash and cash equivalents	21	6,588,990	7,388,898
Trade and other receivables	8	112,225	361,549
Total current assets		6,701,215	7,750,447
Non-current assets			
Trade and other receivables	8	157,526	54,976
Investments accounted for using the equity method	9	-	-
Other financial assets	10	-	-
Property, plant and equipment	11	118,926	137,444
Exploration and evaluation expenditure	12	9,333,730	6,930,307
Total non-current assets		9,610,182	7,122,727
Total assets		16,311,397	14,873,174
Current liabilities			
Trade and other payables	13	109,373	213,250
Borrowings	14	5,483	21,154
Provisions	15	40,451	26,568
Total current liabilities		155,307	260,972
Non-current liabilities			
Borrowings	14	510	5,993
Total non-current liabilities		510	5,993
Total liabilities		155,817	266,965
Net assets		16,155,580	14,606,209
Equity			
Issued capital	16	19,785,934	16,458,284
Reserves	17	3,630,569	1,790,096
Accumulated losses		(7,260,923)	(3,642,171)
Total equity		16,155,580	14,606,209

Notes to the financial statements are included on pages 32 to 49.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	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	-	-	-	-	(1,767,170)	(1,767,170)
Total recognised income and expense	-	-	-	-	(1,767,170)	(1,767,170)
Recognition of share-based payments	-	-	-	824,481	-	824,481
Recognition of share-based payments - share issue costs	-	-	-	440,950	-	440,950
Transfer from share application proceeds	421,500	(421,500)	-	-	-	-
Issue of shares	12,084,076	-	-	-	-	12,084,076
Share issue costs	(980,388)	-	-	-	-	(980,388)
Balance at 30 June 2008	16,458,284	-	176,326	1,613,770	(3,642,171)	14,606,209
Balance at 1 July 2008	16,458,284	-	176,326	1,613,770	(3,642,171)	14,606,209
Loss for the period	-	-	-	-	(3,618,752)	(3,618,752)
Total recognised income and expense	-	-	-	-	(3,618,752)	(3,618,752)
Recognition of share-based payments	-	-	-	1,840,473	-	1,840,473
Issue of shares	3,430,837	-	-	-	-	3,430,837
Share issue costs	(103,187)	-	-	-	-	(103,187)
Balance at 30 June 2009	19,785,934	-	176,326	3,454,243	(7,260,923)	16,155,580

Notes to the financial statements are included on pages 32 to 49.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Interest received		218,001	219,341
Receipt of research and development rebate		334,318	-
Payments to suppliers and employees		(1,165,199)	(1,023,222)
Interest and other costs of finance paid		(2,772)	(267)
Net cash used in operating activities	21(c)	(615,652)	(804,148)
Cash flows from investing activities			
Amounts advanced to associate		-	(130,516)
Payments for property, plant and equipment		(35,273)	(84,121)
Proceeds from sale of property, plant and equipment		1,000	-
Payments for exploration and evaluation		(3,456,479)	(3,716,241)
Net cash used in investing activities		(3,490,752)	(3,930,878)
Cash flows from financing activities			
Proceeds from issues of equity securities		3,430,837	12,084,076
Payment for share issue costs		(103,187)	(595,525)
Repayment of borrowings		(21,154)	(31,937)
Net cash provided by financing activities		3,306,496	11,456,614
Net increase/(decrease) in cash and cash equivalents		(799,908)	6,721,588
Cash and cash equivalents at the beginning of the financial year		7,388,898	667,310
Cash and cash equivalents at the end of the financial year	21(a)	6,588,990	7,388,898

Notes to the financial statements are included on pages 32 to 49.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Talisman Mining Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol "TLM" and "TLMO") and operating in Australia.

Talisman Mining Limited's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Level 1, 47-49 Stirling Highway Nedlands WA 6009	6 Centro Avenue Subiaco Western Australia 6008

The entity's principal activity is the exploration for base metals, iron ore and gold in Australia.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 29 September 2009.

Basis of preparation

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the entity's accounting policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the current year, there have been no new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Company's operations and effective for the current annual reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the date of authorisation of the financial report, the following Standards and Interpretations were published but not mandatory for 30 June 2009 reporting periods.

AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 101 '(revised September 2007) 'presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 123 'Borrowing Costs' – revised Standard and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 2008 -1 'Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations'	Effective for annual reporting periods beginning on or after 1 January 2009 and to be applied by the Company in the financial year ending 30 June 2010
Revised AASB 3 'Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'.	Effective for annual reporting periods beginning on or after 1 July 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 2008-08 Amendments to IAS 39 'Financial Instruments: Recognition and Measurements'	Effective for annual reporting periods beginning on or after 1 July 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Effective for annual reporting periods beginning on or after 1 July 2009 and to be applied by the Company in the financial year ending 30 June 2010
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Effective for annual reporting periods beginning on or after 1 July 2009 and to be applied by the Company in the financial year ending 30 June 2010

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the varying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then re-classified to development.

(i) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the cost method in the Company financial statements.

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(m) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis and on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Plant and equipment (continued)

The following depreciation rates useful lives are used in the calculation of depreciation:

Class of fixed asset	Depreciation effective life
Office furniture & equipment	4 – 25 years
Motor vehicle	8 – 10 years

(n) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and reward incidental to ownership of the leased asset to the lessee (note 14). Finance leases are capitalised at the lease's inception at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is amortised on a diminishing value basis over the estimated useful life of the asset.

All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(o) Provisions

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by use of the Black and Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Other than exploration expenditure written off totalling \$302,098 (2008: \$243,838) during the year, no impairment loss was recorded in the current financial year (2008: nil).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Share-based payments

The Company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, using the assumptions detailed in Note 23.

4. OTHER INCOME

An analysis of the Company's other income for the year is as follows:

	2009 $	2008 $
Interest income	245,633	219,203

5. FINANCE COSTS

	2009 $	2008 $
Interest on obligations under finance leases	2,401	5,128
Other finance costs	371	267
	2,772	5,395

6. LOSS FOR THE YEAR

Loss for the year includes the following expenses:

	2009 $	2008 $
Loss on disposal of plant and equipment	3,631	-
Employee benefit expense:		
Equity-settled share-based payments	1,840,473	824,482
Operating lease rental expenses:		
Minimum lease payments	160,616	146,542

7. INCOME TAXES

Income tax recognised in profit or loss

	2009 $	2008 $
Tax benefit comprises:		
Current tax benefit	187,565	146,754
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
	187,565	146,754

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2009	2008
Loss from operations	(3,806,317)	(1,913,924)
Income tax benefit calculated at 30%	(1,141,895)	(574,177)
Effect of expenses that are not deductible in determining taxable profit	643,476	360,540
Effect of non assessable items in determining taxable profit	(8,290)	(93)
Effect of tax concessions (research and development)	187,565	146,754
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	506,709	213,730
	187,565	146,754

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAXES (CONTINUED)

Unrecognised deferred tax assets and liabilities

	2009 $	2008 $
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	3,667,417	2,499,735
Temporary differences arising from exploration, evaluation and development	(2,800,119)	(2,079,093)
Temporary differences	16,830	25,322
	884,128	445,964

8. TRADE AND OTHER RECEIVABLES

	2009 $	2008 $
Current		
Goods and services tax recoverable	45,152	199,169
Other debtors	2,514	1,177
Prepayment and accrued income	64,559	14,449
Research and development tax concession receivable	-	146,754
	112,225	361,549
Non-current		
Other debtors – security bonds	157,526	54,976

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2009 $	2008 $
Investments in jointly controlled entities	-	1
Provision for impairment	-	(1)
	-	-

Name of entity	Principal activity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %	Published fair value 2009 $	Published fair value 2008 $
Jointly controlled entities						
Protal Metals Group Limited	Uranium exploration	Australia	-	50	-	-

As at 30 June 2008, the Company had a 50% interest in the ordinary share capital of Protal Metals Group Limited. On 6 May 2009, Protal Metals Group Limited was de-registered. The Company holds no interests in jointly controlled entities at 30 June 2009.

10. OTHER FINANCIAL ASSETS

	2009 $	2008 $
Loans carried at amortised cost:		
Non-current		
Loans to associates	-	129,096
Provision for non-recovery of loan to associate	-	(129,096)
	-	-

11. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment at cost $	Motor vehicle under finance lease $	Total $
Gross carrying amount			
Balance at 1 July 2007	79,770	43,574	123,344
Additions	66,592	17,529	84,121
Balance at 30 June 2008	146,362	61,103	207,465
Additions	29,996	5,275	35,271
Disposals	(1,272)	(4,862)	(6,134)
Balance at 30 June 2009	175,086	61,516	236,602
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2007	35,419	3,333	38,752
Depreciation expense	23,719	7,550	31,269
Balance at 30 June 2008	59,138	10,883	70,021
Depreciation expense	29,991	19,167	49,158
Disposals	(764)	(739)	(1,503)
Balance at 30 June 2009	88,365	29,311	117,676
Net book value			
As at 30 June 2008	87,224	50,220	137,444
As at 30 June 2009	86,721	32,205	118,926

The following useful lives are used in the calculation of depreciation:

Office furniture and equipment	4 – 25 years
Motor vehicle under finance lease	8 - 10 years

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	2009 $	2008 $
Office furniture and equipment	29,991	23,719
Motor vehicle under finance lease	19,167	7,550
	49,158	31,269

12. EXPLORATION AND EVALUATION EXPENDITURE

	2009 $	2008 $
Balance at beginning of financial year	6,930,307	3,406,682
Capitalised during the year	2,705,521	3,767,463
Exploration written off during the year	(302,098)	(243,838)
Balance at end of financial year	9,333,730	6,930,307

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER PAYABLES

	2009 $	2008 $
Trade payables (i)	39,627	94,481
Accruals	16,800	26,169
Other payables	52,946	92,600
	109,373	213,250

(i) The average credit period on purchases of goods and services is 30 days EOM after invoice. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest may be charged at various penalty rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. BORROWINGS

	2009 $	2008 $
Current		
Lease liabilities (refer note 19)	5,483	21,154
Non Current		
Lease liabilities (refer note 19)	510	5,993

15. PROVISIONS

	2009 $	2008 $
Current		
Employee benefits	40,451	26,568

The current provision for employee benefits relate to annual leave entitlements accrued to employees.

16. ISSUED CAPITAL

	2009 $	2008 $
86,782,503 fully paid ordinary shares		
(2008: 75,288,047)	19,785,934	16,458,284

	2009		2008	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	75,288,047	16,458,284	45,504,671	4,933,096
Shares issued at 14 cents each pursuant to a placement	-	-	14,999,994	2,100,000
Exercise of options at 20 cents each	175,000	35,000	805,382	161,076
Exercise of options at 25 cents each	-	-	4,978,000	1,244,500
Share issued at $1.00 each pursuant to a placement	-	-	9,000,000	9,000,000
Share issued at t $0.30 each pursuant to a placement	11,319,456	3,395,837	-	-
Share issue costs	-	(103,187)	-	(980,388)
Balance at end of financial year	86,782,503	19,785,934	75,288,047	16,458,284

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2009, the Company has 39,274,257 share options on issue (2008: 36,449,257) exercisable on a 1:1 basis for 39,274,257 shares (2008: 36,449,257) at various exercise prices. The options expire between 30/11/10 and 31/08/11. Further details of options granted to directors and employees are contained in note 23 to the financial statements.

17. RESERVES

	2009 $	2008 $
Share based payments reserve	3,454,243	1,613,770
Option premium reserve	176,326	176,326
	3,630,569	1,790,096

The share based payment reserve arises on the grant of share options to executives and senior employees under the employee share option plan and to third parties, including consultants and advisors. Further information about share-based payments to employees is made in note 23 to the financial statements.

The option premium reserve records the proceeds received on the issue of share options by the Company.

18. LOSS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic loss per share	4.75	2.69

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2009 $	2008 $
Net loss	3,618,752	1,767,170

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	76,241,298	65,616,534

Diluted loss per share

Diluted loss per share has not been calculated as it does not increase loss per share

19. COMMITMENTS FOR EXPENDITURE

	2009 $	2008 $

(a) Capital expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are not provided for in the financial report and are payable:

Exploration expenditure

	2009 $	2008 $
Not longer than 1 year	754,568	704,000
Longer than 1 year and not longer than 5 years	1,435,041	2,816,000
Longer than 5 years	-	-
	2,189,609	3,520,000

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

Leasing arrangements

Finance leases relate to equipment with lease terms of 3 years. The Company has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. COMMITMENTS FOR EXPENDITURE (CONTINUED)

	2009 $	2008 $
Finance lease liabilities		
Not longer than 1 year	6,218	23,556
Longer than 1 year and not longer than 5 years	518	6,736
Longer than 5 years	-	-

	2009 $	2008 $
(a) Capital expenditure commitments (cont:)		
Minimum future lease payments*	6,736	30,292
Less future finance charges	(743)	(3,145)
Present value of minimum lease payments	5,993	27,147
Included in the financial statements as: (note 14)		
Current borrowings	5,483	21,154
Non-current borrowings	510	5,993
	5,993	27,147

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual payments.

Operating leases

Leasing arrangements

Leasing arrangements comprise an agreement for the rental of office space with a lease term of 5 years.

	2009 $	2008 $
Non-cancellable operating lease commitments		
Not longer than 1 year	192,140	161,191
Longer than 1 year and not longer than 5 years	384,280	483,573
Longer than 5 years	-	-
	576,420	644,764

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, there are no contingent liabilities as at 30 June 2009 and no contingent liabilities were incurred in the interval between the period end and the date of this financial report.

21. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2009 $	2008 $
Cash and cash at bank	1,088,990	7,388,898
Term deposit	5,500,000	-
	6,588,990	7,388,898

(b) Non-cash financing and investing activities

	2009 $	2008 $
Equity settled share-based payment in consideration of share placement fee	-	649,050
	-	649,050

21. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) Reconciliation of loss for the year to net cash flows from operating activities

	2009 $	2008 $
Loss for the year	(3,618,752)	(1,767,170)
Share of associate's loss	-	2,653
Depreciation	49,158	31,269
Provision for impairment of investment in associate	431	129,096
Exploration expenditure expensed as incurred	596,190	-
Impairment of exploration	302,098	243,838
Equity-settled share-based payment	1,840,473	824,482
Loss on sale of plant and equipment	3,631	-
(Increase)/decrease in assets:		
Trade and other receivables	235,682	(344,281)
Increase/(decrease) in liabilities:		
Trade and other payables	(38,446)	78,557
Provisions	13,883	(2,592)
Net cash used in operating activities	(615,652)	(804,148)

22. FINANCIAL INSTRUMENTS

Overview

The Company has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Capital risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company's aim is to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Audit Committee annually.The consolidated entity measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Liquidity risk management is the responsibility of the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities and identifying when further capital raising initiatives are required.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for it non-derivative financial assets and liabilities and has been prepared on the following basis:

- Financial assets – based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period; and
- Financial liabilities – based on undiscounted cash flows on the earliest date on which the Company can be required to pay, including both interest and principal cash flows.

2009	Less than 1 month $	1 - 3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	No fixed term $	Total $
Financial assets							
Non-interest bearing	673	47,666	-	-	-	-	48,339
Variable interest rate	1,088,317	-	-	-	-	-	1,088,317
Fixed interest rate	-	5,561,847	-	157,526	-	-	5,719,373
	1,088,990	5,609,513	-	157,526	-	-	6,856,029
Financial liabilities							
Non-interest bearing	66,418	42,955	40,451	-	-	-	149,824
Fixed interest rate	518	1,554	4,146	518	-	-	6,736
	66,936	44,509	44,597	518	-	-	156,560

2008	Less than 1 month $	1 - 3 months $	3 months to 1 year $	1 - 5 years $	5+ years $	No fixed term $	Total $
Financial assets							
Non-interest bearing	-	347,100	-	-	-	-	347,100
Variable interest rate	7,388,898	-	-	-	-	-	7,388,898
Fixed interest rate	-	-	-	54,976	-	-	54,976
	7,388,898	347,100	-	54,976	-	-	7,790,974
Financial liabilities							
Non-interest bearing	126,462	86,788	26,568	-	-	-	239,818
Fixed interest rate	2,685	8,055	12,818	6,734	-	-	30,292
	129,147	94,843	39,386	6,734	-	-	270,110

Interest rate risk

The Company is exposed to interest rate risk as it has borrowed funds at (fixed/ variable) interest rates. The Company manages this risk by keeping such liabilities to a financially tolerable level and taking into account expected movements in interest rates.

Some of the company's assets are subject to interest rate risk but the company is not dependent on this income. Interest income is only incidental to the company's operations and operating cashflows.

Interest rate sensitivity analysis

The sensitivity analysis of the Company's exposure to interest rate risk at the reporting date has been determined based on a change of 50 basis points in interest rates taking place at the beginning of the financial year and held constant throughout the year.

At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Company's net loss would have decreased by $5,442 (2008: $36,411). If interest rates had decreased, there would be an equal and opposite impact on the loss.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Company consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Company's policy is to use capital market issues to meet the funding requirements of the Company.

Thre were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 2. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

23. SHARE-BASED PAYMENTS

Employee share options

The Company has an Employee Share Option Plan ("ESOP") for executives and employees of the Company. In accordance with the provisions of the ESOP, as approved by shareholders at a previous annual general meeting, executives and employees may be granted options at the discretion of the directors

Each employee share option converts into one ordinary share of Talisman Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors subject to the total number of outstanding options being issued under the ESOP not exceeding 5% of the Company's issued capital at any one time.

Options issued to directors are not issued under the ESOP but are subject to approval by shareholders and attach vesting conditions as appropriate.

Share based payment arrangements in existence during period

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) 31 December 2010	1,750,000	22 November 2006	31 December 2010	0.25	0.1100
(2) 31 December 2010	472,000	11 May 2007	31 December 2010	0.25	0.0820
(3) 31 December 2010	3,000,000	3 September 2007	31 December 2010	0.20	0.0600
(4) 31 December 2010	1,000,000	15 February 2008	31 December 2010	1.20	0.4664
(5) 31 December 2010	400,000	19 May 2008	31 December 2010	1.20	0.3172
(6) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.00	0.3364
(7) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.20	0.3104
(8) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.60	0.2694
(9) 30 November 2010	1,500,000	19 May 2008	30 November 2010	2.20	0.2252
(10) 31 May 2011	500,000	19 May 2008	31 May 2011	1.00	0.3716
(11) 31 May 2011	500,000	19 May 2008	31 May 2011	1.20	0.3478
(12) 31 May 2011	500,000	19 May 2008	31 May 2011	1.60	0.3097
(13) 31 May 2011	500,000	19 May 2008	31 May 2011	2.20	0.2676
(14) 31 August 2011	2,000,000	17 March 2009	31 August 2011	0.22	0.2262
(15) 31 August 2011	1,000,000	17 March 2009	31 August 2011	0.22	0.2262
(16) 31 August 2011	1,000,000	17 March 2009	31 August 2011	0.22	0.2262

(1) (2) (3) (4) (6) & (14) Options vested at date of issue.
(5) Options vest 30 April 2009
(7) & (10) Options vest 30 November 2008
(8) Options vest 30 November 2009
(9) Options vest 30 September 2010
(11) Options vest 31 May 2009
(12) Options vest 31 May 2010
(13) Options vest 31 March 2011
(15) Options vest 30 June 2009
(16) Options vest 31 December 2009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the share options granted during the financial year is $904,720 (2008: $2,695,430). Options were priced using a Black & Scholes pricing model. Expected volatility is based on the expected movement of the underlying share price around its average share price over the expected term of the option. Based on historical experience, the directors have determined the expected period of exercise to be similar to the option life.

Inputs into the model	Option series (14, 15 & 16) 31 August 2011
Grant date share price	$0.29
Exercise price (i)	$0.22
Expected volatility	142%
Option life	2.46 years
Dividend yield	Nil
Risk-free interest rate	3.73%

(i) The terms of the options were agreed on the 22 December 2008, being the date Mr Lethridge accepted his appointment as Managing Director. The share price of the Company at that time was $0.09. The formal grant date was 17 March 2009 being the date shareholder approval was received.

The following reconciles the outstanding share options granted as share based payments at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	19,454,250	0.81	12,032,250	0.23
Granted during the financial year – Directors and employees	4,000,000	0.22	8,400,000	1.44
Granted during the financial year – Contractors/ advisors	-	-	4,000,000	0.60
Lapsed during the financial year	(1,000,000)	1.90	-	-
Exercised during the financial year	-	-	(4,978,000)	-
Balance at end of the financial year (i)	22,454,250	0.66	19,454,250	0.81
Exercisable at end of the financial year	18,454,250	0.48	11,454,250	0.81

No options issued as a result of share based payments were exercised during the financial year.

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 1.64 (2008: 2.5 years).

24. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Equity interests in associates and joint ventures

Details of equity interests in associates are disclosed in note 9 to the financial statements.

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited.

	2009 $	2008 $
Short-term employee benefits	586,465	377,518
Post-employment benefits	48,502	32,735
Share-based payments	1,835,984	865,036
	2,470,951	1,275,289

24. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Key management personnel equity holdings

Fully paid ordinary shares of Talisman Mining Limited

	Balance at 1 July No.	Balance on appointment No.	Net other change No.	Received on exercise of options No.	Balance on resignation No.	Balance at 30 June No.
2009						
Directors						
Alan Senior	-	N/A	50,000	-	N/A	50,000
Gary Lethridge (i)	N/A	-	-	-	N/A	-
Brian Dawes (ii)	N/A	20,000	-	-	N/A	20,000
Peter Langworthy (ii)	N/A	-	-	-	N/A	-
Karen Gadsby	-	N/A	78,000	-	N/A	78,000
Steve Elliott (iii)	7,200,002	N/A	-	-	7,200,002	N/A
Mick Bunyard (iv)	-	N/A	-	-	-	N/A
Executives						
Harry Cornelius	26,000	N/A	-	-	N/A	26,000
	7,226,002	20,000	128,000	-	7,200,002	174,000
2008						
Directors						
Alan Senior	N/A	-	-	-	N/A	-
Steven Elliott	5,100,002	N/A	(2,800,000)	4,900,000	N/A	7,200,002
Mick Bunyard	N/A	-	(22,000)	22,000	N/A	-
Karen Gadsby	N/A	-	-	-	N/A	-
Michael Hannington (v)	300,000	N/A	-	-	300,000	N/A
Ian Macpherson (vi)	1,800,000	N/A	-	-	1,800,000	N/A
Executives						
Harry Cornelius	N/A	N/A	(30,000)	56,000	N/A	26,000
	7,200,002	-	(2,852,000)	4,978,000	2,100,000	7,226,002

(i) Appointed 2 February 2009
(ii) Appointed 16 June 2009
(iii) Resigned 24 November 2008
(iv) Resigned 5 June 2009
(v) Resigned 31 July 2007
(vi) Resigned 7 November 2007

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Share options of Talisman Mining Limited

	Balance at 1 July No.	Balance on appointment No.	Granted as remuneration No.	Exercised No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.	Vested but not exercisable No.	Vested during the year No.	Vested and exercisable at 30 June No.
2009										
Directors										
Alan Senior	4,000,000	N/A	-	-	-	N/A	4,000,000	-	1,000,000	2,000,000
Gary Lethridge (i)	N/A	-	4,000,000			N/A	4,000,000	-	3,000,000	3,000,000
Brian Dawes (ii)	N/A	-	-	-	-	N/A	-	-	-	-
Peter Langworthy (ii)	N/A	-	-	-	-	N/A	-	-	-	-
Karen Gadsby	2,000,000	N/A	-	-	-	N/A	2,000,000	-	1,000,000	1,000,000
Steve Elliott (iii)	1,666,668	N/A	-	-	-	1,666,668	N/A	N/A	-	N/A
Mick Bunyard (iv)	2,028,000	N/A	-	-	(1,000,000)	1,028,000	N/A	N/A	500,000	N/A
Executives										
Harry Cornelius	744,000	N/A	-	-	-	N/A	744,000	-	300,000	744,000
	10,438,668	-	4,000,000	-	(1,000,000)	2,694,668	10,744,000	-	5,800,000	6,744,000
2008										
Directors										
Alan Senior	N/A	-	4,000,000	-	-	N/A	4,000,000	-	1,000,000	1,000,000
Steven Elliott	6,566,668	N/A	-	(4,900,000)	-	N/A	1,666,668	-		1,666,668
Mick Bunyard	N/A	-	2,050,000	(22,000)	-	N/A	2,028,000	-	528,000	528,000
Karen Gadsby	N/A	-	2,000,000	-	-	N/A	2,000,000	-		-
Michael Hannington (v)	850,000	N/A	-	-	-	850,000	N/A	N/A	-	N/A
Ian Macpherson (vi)	1,600,001	N/A	-	-	-	1,600,001	N/A	N/A	-	N/A
Executives										
Harry Cornelius	-	N/A	800,000	(56,000)	-	N/A	744,000	-	444,000	444,000
	9,016,669	-	8,850,000	(4,978,000)	-	2,450,001	10,438,668	-	1,972,000	3,638,668

(i) Appointed 2 February 2009
(ii) Appointed 16 June 2009
(iii) Resigned 24 November 2008
(iv) Resigned 5 June 2009
(v) Resigned 31 July 2007
(vi) Resigned 7 November 2007

Further details of the employee share option plan and of share options granted during the 2009 and 2008 financial years are contained in note 23 to the financial statements.

iii. Other transactions with key management personnel of the Company

There were no other transactions with key management personnel of the Company during the financial year.

(c) Transactions with other related parties

Other related parties include Protal Metals Group Limited ("Protal"), an associate of the company. The Company was established with the objective of vending the Company's uranium assets into a separate initial public offering. During 2008, this strategy was abandoned in the light of worsening economic conditions and Protal was subsequently de-registered during this financial year. Subsequent to being de-registered, the Company wrote off amounts advanced to that company totaling $129,527. The amount of this loan had been fully provided for at 30 June 2008.

25. SEGMENT INFORMATION

The Company operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

26. REMUNERATION OF AUDITORS

	2009 $	2008 $
Auditor of the parent entity		
Audit or review of the financial report	21,265	23,212

The auditor of Talisman Mining Limited is HLB Mann Judd.

27. SUBSEQUENT EVENTS

The Company issued an aggregate total of 6,219,997 fully paid ordinary shares at $0.30 each on 23 and 27 July 2009 following shareholder approval at the General Meeting held on 23 July 2009. This issue which raised a total of $1,866,000 (before costs of the issue) represented the final allocation under a general placement to raise $5,261,837.

On the 23 July 2009, pursuant to shareholder approval at the General Meeting held on that date, 6,000,000 unlisted incentive options exercisable at various prices between $0.50 to $0.70, expiring on 30 June 2013 were issued to Messrs Langworthy and Dawes. Further details on the terms of the options are detailed below in the Remuneration Report.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 5 OCTOBER 2008

1. Number of holders of equity securities

(a) Distribution of holders of equity securities

	Fully paid ordinary shares	Number of holders	Listed options	Number of holders
1 – 1,000	70,487	100	6,862	15
1,001 – 5,000	1,454,925	452	214,473	60
5,001 – 10,000	3,465,726	393	443,305	53
10,001 – 100,000	26,923,312	701	5,717,402	147
100,001 and over	61,088,050	136	18,270,215	48
	93,002,500	**1,782**	**24,652,257**	**323**

(b) Voting rights

The voting rights attached to each class of equity securities are as follows:

Ordinary Shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

- Options do not carry a right to vote.

(c) Less than marketable parcels of shares

The number of shareholders holding less than a marketable parcel is 35 given a share value of 82 cents per share.

(d) Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Number	%
Mr Kerry Harmanis	8,960,001	9.63
Mr Steven Elliott	5,310,001	6.12
	14,270,002	15.75

2. Company secretary

The name of the company secretary is Darren Crawte

3. Registered office and principal administrative office

Registered office
Level 1, 47 Stirling Hwy
NEDLANDS WA 6009
Telephone (61 8) 9321 3514

Principal administration office
Ground Level, 6 Centro Avenue
SUBIACO WA 6008
Telephone (61 8) 9380 4230

Registered securities are held at the following address
Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Telephone (61 8) 9389 8033

4. Securities exchange listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

5. Restricted securities

There are no restricted securities or securities in voluntary escrow at the date of this report.

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

AS AT 5 OCTOBER 2008 (CONTINUED)

6. Twenty largest holders of ordinary shares

Ordinary shareholders	Fully paid ordinary shares	
	Number	%
1. Tyche Holdings Pty Ltd	6,400,001	6.88
2. Mr Steven James Elliot	3,900,000	4.19
3. Mr Tyche Holdings Pty Ltd (Bournite A/C)	2,560,000	2.75
4. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	2,150,000	2.31
5. UBS Wealth Management Australia Nominees Pty Ltd	2,050,847	2.21
6. Frollo Enterprises Ltd	2,000,000	2.15
7. Bitutti Pty Ltd	1,700,000	1.83
8. Redcode Pty Ltd	1,675,000	1.80
9. Arcaro Holdings Pty Ltd	1,590,001	1.71
10. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker (Walker Super Fund A/C)	1,525,000	1.64
11. Metalmite Pty Ltd	1,500,000	1.61
12. Harman Nominees Pty Ltd	1,458,000	1.57
13. Foreign Dimensions Pty Ltd	1,333,334	1.43
14. Mr Paul Rosier Oost	1,200,000	1.29
15. Mr Steven Elloitt	1,000,000	1.07
16. Mr Christopher Mark Edwards	910,000	0.98
17. Mr Thomas Robert Gerard	825,000	0.89
18. Trader 13 Pty Ltd	719,576	0.77
19. Citicorp Nominees Pty Ltd	718,276	0.77
20. Mr Peter John Apostoles & Mrs Margaret Apostoles	705,000	0.76
	35,920,035	38.61

7. Twenty largest holders of listed options

Ordinary shareholders	Fully paid ordinary shares	
	Number	%
1. Hawera Pty Ltd	2,383,333	9.67
2. Redcode Pty Ltd	2,000,000	8.11
3. Arcaro Holdings Pty Ltd	1,530,001	6.21
4. Mount Street Investments Pty Ltd <The M J Blake S/F A/C>	1,100,000	4.46
5. Hawera Pty Ltd (The Bailey Family Trust A/C)	900,000	3.65
6. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker <Walker Super Fund A/C>	808,333	3.28
7. Mr Michael Don Grubisa & Mrs Lynette Joy Grubisa <Super A/C>	500,000	2.03
8. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	500,000	2.03
9. Jem Nominees Pty Ltd	410,000	1.66
10 .Barclay Wells Ltd	400,000	1.62
11. Timmid Pty Ltd	387,000	1.57
12. Temmedo Pty Ltd	378,000	1.53
13. FATS Pty Ltd	333,334	1.35
14. Regent Corporation 2001 Pty Ltd	314,633	1.28
15. Metalmite Pty Ltd	303,333	1.23
16. Mr Ian Barrie Murie & Mrs Tania Murie	300,000	1.22
17. Strand Corporation Pty Ltd	298,701	1.21
18. Mr Ian Keith Macpherson	266,667	1.08
19. Mr Paul Rozier Oost	252,001	1.02
20. Mikado Corporation Pty Ltd	250,000	1.01
	13,615,336	55.22

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

AS AT 5 OCTOBER 2008 (CONTINUED)

8. Unquoted equity securities

Class	Unlisted options	
	Number	Number of holders
1. Unlisted options exercisable at 25 cents on or before 31 December 2010	2,222,000	4
2. Unlisted options exercisable at $1.20 on or before 31 December 2010	1,400,000	7
3. Unlisted options exercisable at $1.00 on or before 30 November 2010	1,500,000	2
4. Unlisted options exercisable at $1.20 on or before 30 November 2010	1,500,000	2
5. Unlisted options exercisable at $1.60 on or before 30 November 2010	1,000,000	1
6. Unlisted options exercisable at $2.20 on or before 30 November 2010	1,000,000	1
7. Unlisted options exercisable at $1.00 on or before 31 May 2011	500,000	1
8. Unlisted options exercisable at $1.20 on or before 31 May 2011	500,000	1
9. Unlisted options exercisable at $1.60 on or before 31 May 2011	500,000	1
10. Unlisted options exercisable at $2.20 on or before 31 May 2011	500,000	1
11. Unlisted options exercisable at $0.22 on or before 31 August 2011	4,000,000	1
12. Unlisted options exercisable at 70 cents on or before 30 June 2013	2,250,000	2
13. Unlisted options exercisable at 60 cents on or before 30 June 2013	1,500,000	2
14. Unlisted options exercisable at 50 cents on or before 30 June 2013	2,250,000	2

All options have no voting rights

Unquoted equity security holdings greater than 20%

Class	Option holder	Unlisted options	
		Number	Percentage
2	Redcode Pty Ltd	600,000	43
2	Northerly Investments Pty Ltd	300,000	21

9. On-market buy back

At the date of this report, the company is not involved in an on-market buy back.

10. Restricted securities

There are no restricted securities in voluntary escrow at the date of this report.

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