



**Talisman Mining Limited**

**ABN 71 079 536 495**

**Financial report for the half-year ended  
31 December 2010**

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# Corporate Directory

## Board of Directors

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

## Company Secretary

Mr Daniel Madden

## Registered & Principal Office

Ground Floor, 6 Centro Avenue

SUBIACO WA 6008

Tel + 61 8 9380 4230

Fax + 61 8 9382 8200

## Auditor

HLB Mann Judd

Level 4, 130 Stirling Street

PERTH WA 6000

## Share Registry

Advanced Share Registry Services

150 Stirling Highway

NEDLANDS WA 6009

## Securities Exchange

Australian Securities Exchange Limited

Level 8, Exchange Plaza, 2 The  
Esplanade

PERTH, WA 6000

ASX Code: TLM

## **Financial report for the half-year ended 31 December 2010**

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## Directors' report

The directors of Talisman Mining Limited submit the financial report of the Company for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

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

Alan Senior	Non Executive Chairman
Gary Lethridge	Managing Director
Peter Langworthy	Technical Director
Brian Dawes	Executive Director
Karen Gadsby	Non Executive Director

### Review of Operations

During the half-year period, the Company continued its mineral exploration activities with a primary focus on its flagship Springfield Copper-Gold Project.

Activities undertaken at the Springfield prospect over the past six months included reconnaissance drilling (Diamond, Reverse Circulation and RAB methods) associated down-hole electromagnetic surveys, detailed airborne magnetic data collection and various other methods of geological interpretations and surveys.

During the half-year period the Company has also continued exploration and project development activities within its broader exploration portfolio in the Bryah Basin region of Western Australia, which includes the Halloween, Shelby and Milgun Projects.

Other significant activities during the half-year included the execution of an Option Agreement to sell the non-core Wonmunna and Uaroo iron ore projects to ASX-listed Rico Resources Limited (formally E-com Multi Limited) for a total of \$41.35 million, being \$34.25 million cash (consisting of a \$2 million non-refundable option fee and \$32.25 million due on settlement) and 35.5 million shares in the post re-constructed Rico Resources Limited. The sale agreement also included a 1% gross revenue royalty. The Option was exercised by Rico Resources Limited on 11 February 2011 and settlement completed on 17 February 2011.

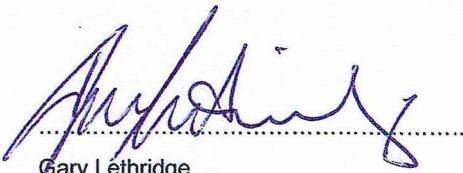
*Information in the review of operations that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Harry Cornelius, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius is a full time employee of Talisman Mining Ltd and has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

## Directors' report (continued)

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2010.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in blue ink, appearing to read 'Gary Lethridge', is written over a horizontal dotted line.

Gary Lethridge  
Managing Director  
3 March 2011

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Talisman Mining Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



Perth, Western Australia  
3 March 2011

**L DI GIALONARDO**  
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Notes	31-Dec-10 \$	31-Dec-09 \$
<b>Continuing operations</b>			
Other income	2	2,406,113	337,493
Employee benefits expense	2	(932,386)	(1,667,301)
Depreciation and amortisation expense		(47,121)	(16,740)
Exploration expenditure expensed as incurred		(70,410)	(245,190)
Impairment of exploration expenditure		(20,619)	-
Finance costs		(9)	(545)
Administrative expenses		(194,726)	(369,067)
Other expenses		(123,762)	(111,894)
<b>Profit/(Loss) before income tax expense</b>		<b>1,017,080</b>	<b>(2,073,244)</b>
Income tax expense		-	-
<b>Profit/(Loss) after tax from continuing operations</b>		<b>1,017,080</b>	<b>(2,073,244)</b>
<b>Net Profit/(Loss) for the period</b>		<b>1,017,080</b>	<b>(2,073,244)</b>
<b>Other comprehensive income</b>			
Net change in the fair value of available-for-sale financial assets		15,000	100,000
<b>Other comprehensive income for the period, net of tax</b>		<b>15,000</b>	<b>100,000</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>1,032,080</b>	<b>(1,973,244)</b>
<b>Earning/(Loss) per share:</b>			
Basic earnings/(loss) per share (cents per share)		0.90	(2.24)
Diluted earnings per share (cents per share)		0.78	n/a

The accompanying notes form part of these financial statements

# CONDENSED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2010

	Notes	31-Dec-10 \$	30-Jun-10 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		16,505,976	13,661,782
Trade and other receivables		365,429	348,942
		<u>16,871,405</u>	<u>14,010,724</u>
Assets classified as held for sale	3	6,473,915	-
<b>Total Current Assets</b>		<u>23,345,320</u>	<u>14,010,724</u>
<b>Non-Current Assets</b>			
Receivables		172,626	79,526
Other financial assets		150,000	135,000
Property, plant and equipment		343,942	239,760
Deferred exploration and evaluation expenditure	4	6,274,408	9,059,569
<b>Total Non-Current Assets</b>		<u>6,940,976</u>	<u>9,513,855</u>
<b>Total Assets</b>		<u>30,286,296</u>	<u>23,524,579</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		621,042	418,570
Provisions		67,008	50,867
Borrowings		-	509
<b>Total Current Liabilities</b>		<u>688,050</u>	<u>469,946</u>
<b>Total Liabilities</b>		<u>688,050</u>	<u>469,946</u>
<b>Net Assets</b>		<u>29,598,246</u>	<u>23,054,633</u>
<b>Equity</b>			
Issued capital	5	36,844,480	31,464,410
Reserves	6	3,829,715	5,745,532
Accumulated losses		(11,075,949)	(14,155,309)
<b>Total Equity</b>		<u>29,598,246</u>	<u>23,054,633</u>

The accompanying notes form part of these financial statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Notes	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share-based Payments Reserve	Option Premium Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>		19,785,934	(7,260,923)	-	3,454,243	176,326	16,155,580
Loss for the period		-	(2,073,244)	-	-	-	(2,073,244)
Net change in fair value of available-for-sale financial assets		-	-	100,000	-	-	100,000
<b>Total comprehensive income for the period</b>		-	(2,073,244)	100,000	-	-	(1,973,244)
Shares issued during the half-year		2,075,505	-	-	-	-	2,075,505
Recognition of share-based payments		-	-	-	1,369,599	-	1,369,599
Transfer on exercise of options		9,540	-	-	-	(9,540)	-
<b>Balance at 31 December 2009</b>		21,870,979	(9,334,167)	100,000	4,823,842	166,786	17,627,440
<b>Balance at 1 July 2010</b>		31,464,410	(14,155,309)	(15,000)	5,602,989	157,543	23,054,633
Profit for the period		-	1,017,080	-	-	-	1,017,080
Net change in fair value of available-for-sale financial assets		-	-	15,000	-	-	15,000
<b>Total comprehensive income for the period</b>		-	1,017,080	15,000	-	-	1,032,080
Shares issued during the half-year	5	4,390,597	-	-	-	-	4,390,597
Shares to be issued	5	575,641	-	-	-	-	575,641
Recognition of share-based payments	6	-	-	-	545,294	-	545,294
Transfer on exercise of listed options	5	413,832	-	-	(256,289)	(157,543)	-
Unlisted options lapsing		-	2,062,280	-	(2,062,280)	-	-
<b>Balance at 31 December 2010</b>		36,844,480	(11,075,949)	-	3,829,715	-	29,598,246

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	31-Dec-10	31-Dec-09
	\$	\$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from Customers	37,000	-
Payments to suppliers and employees	(901,468)	(698,859)
Finance costs	(9)	(545)
Interest received	345,537	149,378
Net cash used in operating activities	<u>(518,940)</u>	<u>(550,026)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(151,303)	(74,904)
Receipt of option fee for sale of mining tenement	2,000,000	-
Payments for exploration and evaluation expenditure	(3,451,292)	(1,039,714)
Proceeds from joint venture agreement	-	50,000
Net cash used in investing activities	<u>(1,602,595)</u>	<u>(1,064,618)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	4,966,238	2,021,805
Payments for share issue costs	-	(49,300)
Payment of finance lease liabilities	(509)	(2,602)
Net cash provided by financing activities	<u>4,965,729</u>	<u>1,969,903</u>
Net increase in cash held	2,844,194	355,259
Cash and cash equivalents at the beginning of the period	13,661,782	6,588,990
<b>Cash and cash equivalents at the end of the period</b>	<u>16,505,976</u>	<u>6,944,249</u>

The accompanying notes form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Talisman Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

#### **Basis of preparation**

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

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

#### **Significant accounting judgements and key estimates**

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

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2010.

In the half-year ended 31 December 2010, management reassessed its estimates in respect of:

#### ***Carrying value of exploration expenditure***

The Company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 or impaired to profit or loss. During the half-year end, the company relinquished the Yamarna project tenements which resulted in an impairment of \$20,619 relating to amounts previously capitalised on the tenement up to and including 31 December 2010. No other expenditure was determined by management review as being required to be impaired.

#### **Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010.

As a result of these reviews the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 2: PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	31-Dec-10	31-Dec-09
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Other Income:		
Non-refundable option fee for sale of Iron Ore Projects	2,000,000	-
Expenses:		
Share based payments expense	(545,295)	(1,369,599)

### NOTE 3: ASSETS CLASSIFIED AS HELD FOR SALE

#### (a) Description

On 1 October 2010 the Company entered into an Option Agreement to sell the Wonmunna and Uaroo iron ore projects to ASX-listed Rico Resources Limited (formally E-com Multi Limited) for a total of \$41.35 million. A non-refundable option fee of \$2 million was paid in instalments on 1 October 2010 (\$0.5 million) and 15 November 2010 (\$1.5 million) with the remaining consideration of \$32.25 million cash and 35.5 million Rico Resources Limited shares being settled on completion of the transaction which occurred on 17 February 2011.

	31-Dec-10	30-Jun-10
	\$	\$
(b) Carrying amounts of assets and liabilities		
Exploration and evaluation phase – at cost	6,473,915	-

### NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Half year to 31-Dec-10	Year to 30-Jun-10
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of period	9,059,569	9,333,730
Expenditure incurred	3,709,373	3,045,474
	12,768,942	12,379,204
Expenditure impaired	(20,619)	(3,319,635)
Transfer to Assets held for sale (i)	(6,473,915)	-
	6,274,408	9,059,569

(i) Transfer of exploration and evaluation costs on Wonmunna and Uaroo projects. See Note 3.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### NOTE 5: ISSUED CAPITAL

	31-Dec-10	30-Jun-10
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid (i)	36,844,480	31,464,410
	<b>No.</b>	<b>\$</b>
<i>Movements in ordinary shares on issue</i>		
At 1 July 2010	105,823,858	31,464,410
Exercise of listed options at 20 cents	19,730,475	3,946,095
Exercise of unlisted options at 25 cents	1,778,000	444,502
Transfer from option premium reserve	-	413,832
Shares to be issued (i)	2,878,207	575,641
<b>At 31 December 2010</b>	<b>130,210,540</b>	<b>36,844,480</b>

(i) Includes shares to be issued on exercise of options, proceeds from which were received prior to 31 December 2010.

### NOTE 6: OPTIONS

	No.	\$
<i>Movements in options over ordinary shares on issue</i>		
At 1 July 2010	44,604,996	5,760,533
Directors' remuneration	1,000,000	380,612
Employees' remuneration	-	164,682
Transfer on exercise of listed options	(19,730,475)	(157,543)
Transfer on exercise of unlisted options	(1,778,000)	(256,289)
Unlisted options lapsing	(6,428,000)	(2,062,280)
<b>At 31 December 2010</b>	<b>17,668,521</b>	<b>3,829,715</b>

### NOTE 7: SEGMENT REPORTING

The Company continues to operate in one geographical segment, being Western Australia and in one operating category, being mineral exploration and evaluation.

The chief operating decision-maker has been identified as the Board of Talisman Mining Limited and information reported to the Board for the purpose of resource allocation and assessment of performance is focused on mineral exploration and evaluation within Western Australia. Consequently the Company reports within one segment.

### NOTE 8: CONTINGENT LIABILITIES

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

### NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 11 February 2011 Rico Resources Limited (formally E-Com Multi Limited) exercised its option to purchase the Wonmunna and Uaroo iron ore projects from Talisman Mining Ltd. Settlement, comprising the payment of \$32.25 million and the issue of 35.5 million post re-constructed ordinary shares in Rico Resources Limited, completed on 17 February 2011.

## 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, notes and additional disclosures of the Company are in accordance with the Corporations Act 2001 including:
  - i. complying with Australian Accounting Standards and, the Corporations Regulations 2001; and
  - ii. giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year then ended; and
- (c) In the directors' opinion the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Standards Board;

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



Gary Lethridge  
Managing Director

3 March 2011

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Talisman Mining Limited

**Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Talisman Mining Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

**Directors' Responsibility for the Interim Financial Report**

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talisman Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

### Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD  
Chartered Accountants



Perth, Western Australia  
3 March 2011

L DI GIALLONARDO  
Partner