



**TALISMAN
MINING LIMITED**

MARCH 2011 QUARTERLY REPORT

COMPANY SNAPSHOT

Board of Directors

Alan Senior

Non Executive Chairman

Gary Lethridge

Managing Director

Peter Langworthy

Technical Director

Brian Dawes

Executive Director

Karen Gadsby

Non Executive Director

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Capital Structure

Shares on Issue:

130,438,627 (TLM)

Options on Issue:

14,550,000 (Unlisted)

ASX: TLM

HIGHLIGHTS

- **Completion of the sale of the Wonmunna and Uaroo iron ore projects to Rico Resources Limited for a total consideration of \$41.35 million, comprising:**
 - **cash of \$34.25 million;**
 - **35.5 million Rico Resources Limited post re-constructed shares valued at \$7.1 million; and**
 - **1% gross royalty.**
- **Resulting cash position as at 31 March 2011 of approximately \$47 million.**
- **Resumption of drilling activities at Springfield Project including diamond drilling at high priority Homer Prospect and reconnaissance and targeted RC drilling at various prospects within the Springfield Project.**
- **Commencement of additional field exploration activities at Springfield Project including a detailed gravity survey and surface EM survey across the Northern and Central Corridors.**
- **Preparation for and approval of an initial deep diamond drilling program at the Shelby Project. Diamond drilling commenced in April 2011.**



Springfield Diamond Drill Core
showing Disseminated Chalcopyrite



EXPLORATION

BRYAH BASIN, WESTERN AUSTRALIA



Springfield Copper-Gold Project (TLM 100%)

The Springfield Project comprises a 303km² ground package located approximately 150km north east of Meekatharra in the northern Murchison Goldfields (see Figure 1).

The project is located immediately along strike to the east of Sandfire Resources' DeGrussa Project where reported mineral resources now stand at 10.67mt @ 5.6% Cu, 1.9g/t Au and 15g/t Ag contained in four deposits.

The strength, size and grade of the DeGrussa VMS system support Talisman's view that the exploration potential in this region and immediately within Talisman's Springfield Project, located as little as 4km to the east of the DeGrussa Deposits, is very high.

It has been established by a combination of geological mapping and evaluation, geochemical sampling, interpretation of airborne magnetic data and more recently drilling, that the prospective Narracoota Volcanic Formation (which hosts the DeGrussa Deposits) extends for over 40 kilometres in three parallel trends or corridors (the Northern, Central and Southern Corridors) across Talisman's Springfield Project (see Figure 2).

The successful exploration results from the Springfield Project in 2010 provide Talisman with a strong platform for its 2011 work. Talisman's exploration budget for its exploration activities in calendar 2011 is \$10 million; which is intended to be the largest exploration initiative in the Company's history.

On 4 February 2011, drilling at the Springfield project recommenced for the year with one diamond drill rig beginning operations at the Homer Prospect.

Following a heavy and widespread regional rain and associated flooding event, on 21 February all exploration activities at the Springfield (and other regional Talisman projects) were suspended and on-site personnel evacuated.

This temporary exploration interruption lasted for a period of approximately three weeks with site exploration activities at Springfield resuming again on 14 March 2011 with the re-commencement of diamond drilling at the Homer prospect and the mobilisation to site of a reverse circulation (RC) drill rig along with two geophysical survey teams; one being for a gravity survey and the other for a surface based moving loop electromagnetic (MLEM) survey.



Drilling Activities

The interrupted diamond drilling undertaken during the quarter was focused at the Homer Prospect which is located immediately along strike in an identical geological sequence to that hosting Sandfire Resources' high grade copper/gold DeGrussa deposits.

The restrictions on drilling during the quarter due to the adverse weather and flooding events resulted in only 2 diamond holes being undertaken for a total of 1187.9 metres and 6 RC holes for 922 metres.

Despite the limited drilling during the quarter, the drilling that was undertaken has continued to identify the presence of visible chalcopyrite and associated copper (and gold) anomalism, in addition to continued multiple contacts between the mafic volcanic and overlying volcano-sedimentary rock unit which represent the prospective horizon for the development of VMS deposits.

The results to date are considered to continue to be highly encouraging and also geologically significant. Additionally, they are providing an important framework and valuable geological knowledge for future exploration to potentially vector into a stronger mineralised system.



**Springfield Diamond Drill Core
showing Disseminated Chalcopyrite**

During the June quarter diamond drilling activities will move from the Homer Prospect to the drill testing of the high priority Monty and CC02 Prospects. Also regional RC and RAB drilling is planned to be undertaken across a series of targets at Springfield.

A 20,000 metre rotary air blast (RAB) reconnaissance drilling program, covering much of the Northern and Central VMS Corridors, is scheduled to commence in late May 2011. The aim of this reconnaissance drill program is to provide a quality dataset of consistent geological and geochemical data largely beneath areas of extensive transported cover. Targets generated from this reconnaissance drill program will be subsequently tested by follow up reconnaissance RC drilling (see Figure 3).



RC Drilling at Springfield



Moving Loop Electromagnetic Survey

An extensive moving loop electromagnetic (MLEM) survey commenced during the quarter covering the entire Northern and Central VMS corridors. Given the substantial size of this survey this program of work will be ongoing potentially for all of the June quarter.

Results from this survey will be interpreted and reported in due course.

Project Gravity Survey

A detailed gravity survey commenced towards the end of the March quarter and was completed in the June quarter covering the entire Northern and Central VMS corridors.

The data from this survey is currently being processed and interpreted as part of an integrated data package.

Regional Bryah Basin Projects

In addition to the advancing Springfield Project, Talisman has also successfully consolidated a series of exploration projects across the Bryah Basin. These projects provide Talisman with exposure to extensive areas of the prospective **Narracoota Volcanic Formation**.

This positions Talisman to take advantage of the emergence of what is believed to potentially be a new geological province that is considered highly prospective for camps of VMS Deposits.

These projects also provide depth and continuity to the Company's exploration portfolio, providing the opportunity to apply 'local' geological knowledge gained from exploration across the Bryah Basin and to develop a series of follow-up exploration targets at these other projects in order to complement those already identified at Springfield.

Halloween Project (TLM 100%)

The Halloween Project is located approximately 16.5km west of the Springfield Project and 11.5km south-west of, and along strike from, the high-grade DeGrussa Deposit (see Figure 1). The Halloween Project covers part of the Narracoota Volcanic Formation and is located along strike of a series of airborne EM conductors identified by both Sandfire and Chrysalis Resources.

Activities at the Halloween Project during the quarter were limited to initial field mapping and rock chip sampling of two high priority areas defined by coincident magnetic highs and broad copper-gold geochemical anomalism.

It has become apparent that the copper-gold geochemical anomalism is closely related to a mapped contact between a package of mafic volcanic rocks (interpreted as part of the Narracoota Volcanics) and an overlying sequence of sedimentary rocks. This contact will be the focus of initial drilling programs in the future.

Statutory drilling approvals are awaited.



Shelby Project (TLM 100%)

The 1050km² Shelby Project is located on the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (see Figure 1). The project area was originally targeted on the basis that extensions of the prospective Narracoota Volcanic Formation may extend further to the north under the younger sedimentary units of the Bangemall Basin. Evaluation of recently collected airborne magnetic data also indicates excellent potential for large intrusive bodies either of mafic-ultramafic or granitic affinity that have the potential to host a range of deposit types including mafic-ultramafic intrusive related nickel-copper deposits (e.g. Voisey's Bay (Vale), West Musgrave (BHPB)) and/or Iron Oxide Copper Gold (IOCG) deposits (e.g. Olympic Dam (BHPB))

Talisman has been granted funding up to \$200,000 under the WA State Government Exploration Incentive Scheme (EIS) for an initial deep diamond drilling program to test this concept.

Key activities for the Shelby Project during the quarter focussed on preparation for a deep diamond drilling program consisting of a single 1,500 metre drill hole targeting a large magnetic body.

Drilling contracts were finalised during the quarter and diamond drilling operations commenced during April.

Ongoing assessment of the prospectivity of the wider Shelby Project area has resulted in Talisman pegging a series of exploration licence applications along strike to the east and west of the current tenement package.

As a first pass assessment of this large project area, a regional gravity survey has commenced and an airborne magnetic survey is scheduled to commence in May 2011.



Shelby Project

Milgun Project (TLM 80%)

The Milgun Project is located approximately 20km north west of the Shelby Project and covers what Talisman has identified as a northern outlier of the Bryah Basin (see Figure 1). The 123km² Project was originally targeted for gold, however recent assessments have identified the presence of a sequence of volcanic rock that are likely to be the equivalent of the Narracoota Volcanic Formation, and are therefore prospective for VMS-style deposits.

Geochemical sampling at the Milgun Project was planned to be undertaken during the quarter, however was postponed due to the rain and flooding events described previously.

It is now anticipated that this work, along with detailed geological mapping, will be completed during April-May 2011 as an adjunct to the exploration drilling activities underway at the Shelby project.



OTHER EXPLORATION PROJECTS

Paroo and Paddy Well (TLM 100%)

The Paroo and Paddy Well Projects are located approximately 50km to the west of Wiluna and covers the southern margin of the Proterozoic Yerrida Basin which is considered by Talisman to be prospective for base metals and gold. Talisman identified the opportunity from multi-element geochemical data in GSWA datasets and picked up the ground through open ground pegging.

To date exploration has been limited to reconnaissance site visits and the compilation of open file data sets.



Mapping at Paddy Well

Skull Springs JV (TLM 100% / SSR earning 70%)

In October 2009 Talisman and Shaw River Resources entered into a letter agreement setting out the terms and conditions of a farm-in on Talisman's East Pilbara manganese tenements. The Skull Springs Project is named after a nearby manganese deposit that is located within 10km of the main prospect. The project comprises four tenements known as Wandanya, Yilgalong and Gangarrigan. The tenements are located on exposed and covered Carawine Dolomite and Pinjian Chert, which are the target horizons for high grade (DSO +40%) manganese ore in the Woodie Woodie region (see Figure 1). At Wandanya, located 40km south west of the Woodie Woodie Operations, high grade rock chips up to 65% Mn have previously been assayed in outcrops of mineralisation trending NE-SW.

The planned 1,200-1,500 metre first pass RC drilling program at the Wandanya Project by Shaw River Resources has been further delayed; we are advised, due to the rain and flooding events that impacted on the Pilbara during February and March 2011.

This drill program is planned to target three prospective outcrop areas that extend over a 2.5km strike length where evidence of a strong hydrothermal signature, hosting structures and manganese alteration have been identified as being most intense.

Anticline Polymetallic Project (TLM 100% - iron rights held by FMG)

No exploration activity.

Tom Price Polymetallic Project (TLM 100% - iron rights held by FMG)

No exploration activity.



CORPORATE

On 17 February 2011 the Company completed the sale of the Wonmunna and Uaroo iron ore projects to Rico Resources Limited (formerly E-Com Multi Limited) for a total consideration of \$41.35 million, comprising:

- cash of \$34.25 million (of which \$2 million has been previously received in the form of a non-refundable option fee);
- 35.5 million Rico Resources Limited post re-constructed shares valued at \$7.1 million; and
- a 1% gross royalty.

The Company's cash increased during the quarter by \$30.5 million to \$47 million as at 31 March 2011.

Competent Persons' Statement

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

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or

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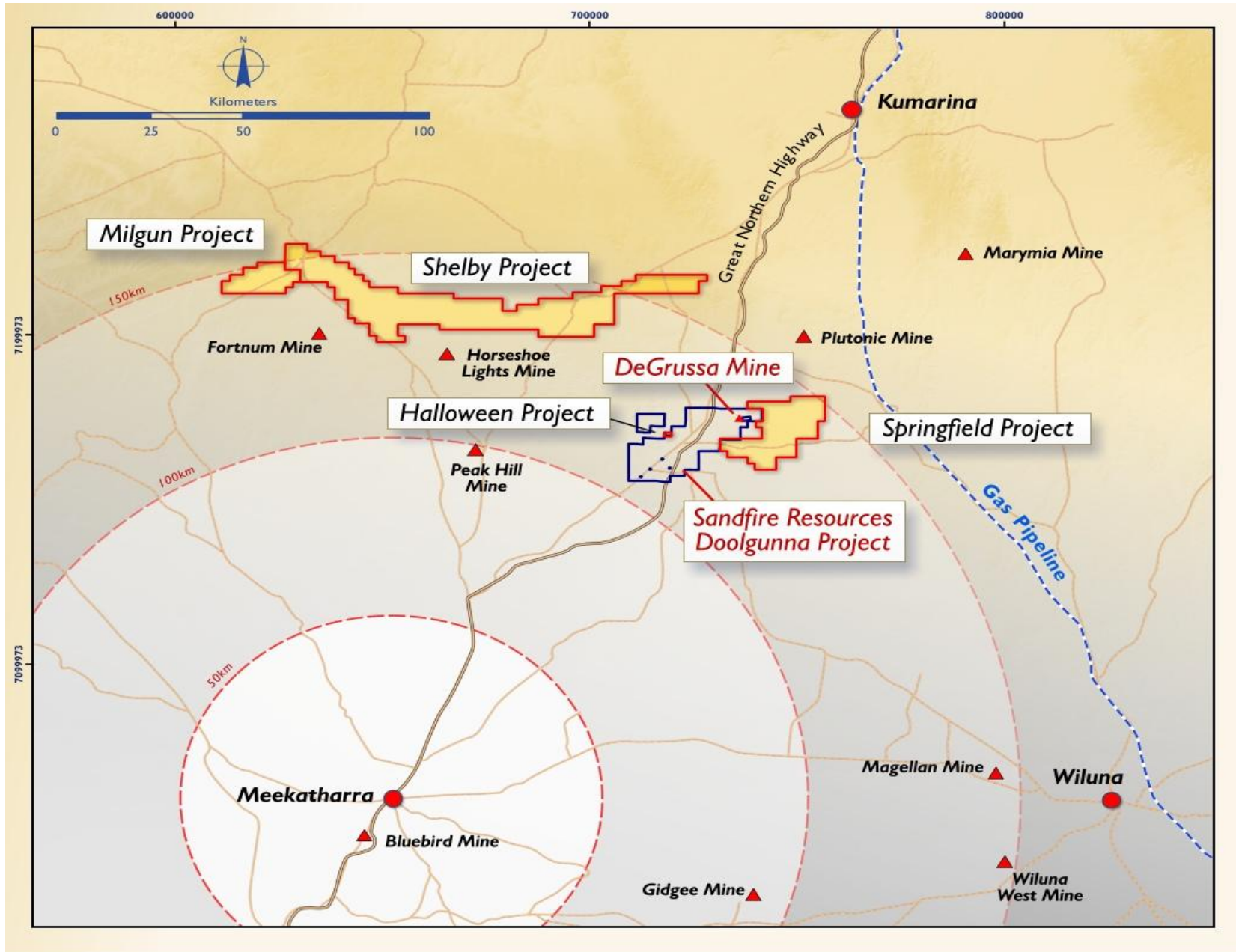


Figure 1 – Talisman Mining Ltd Project locations

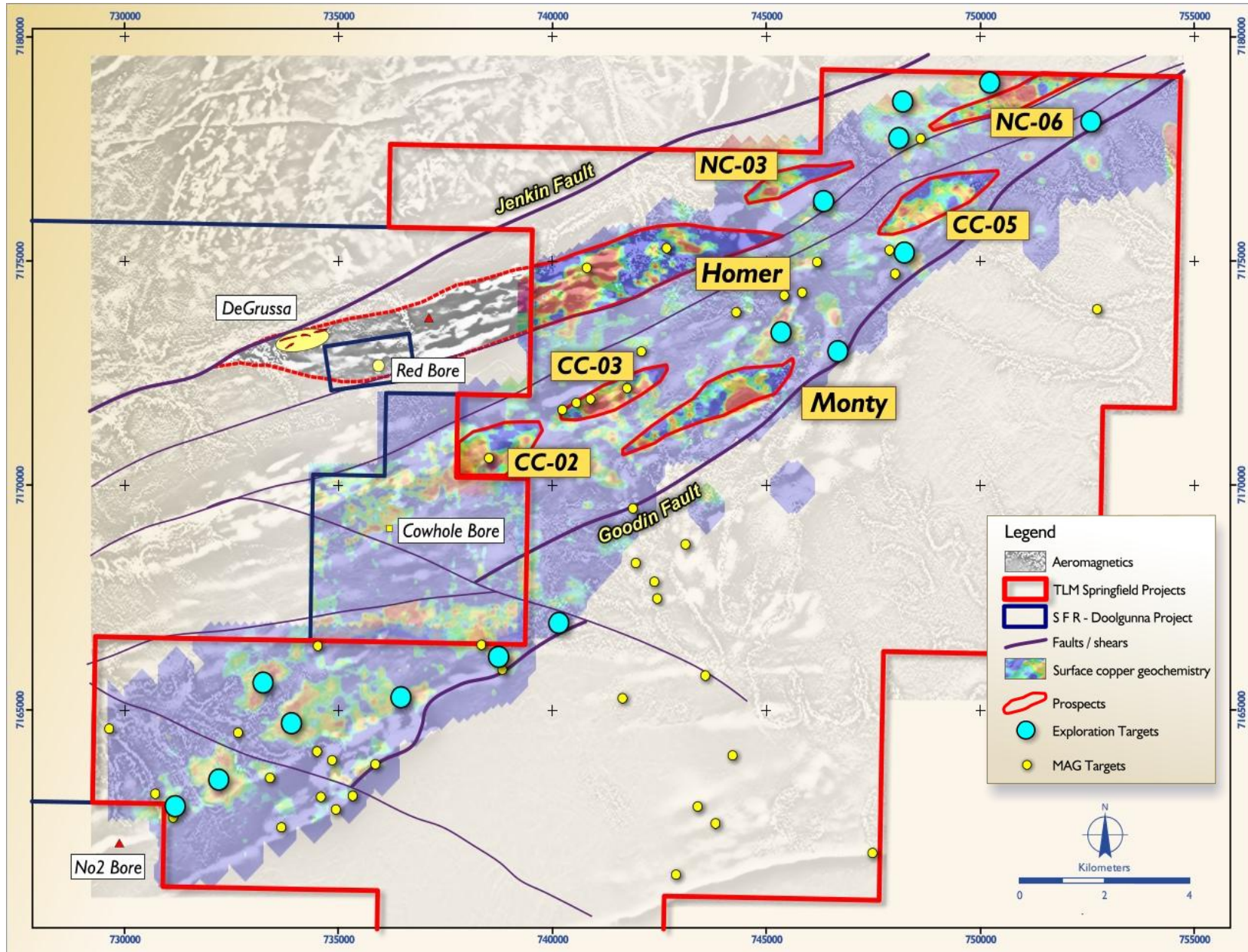


Figure 2 – Springfield Prospects and Priority Targets

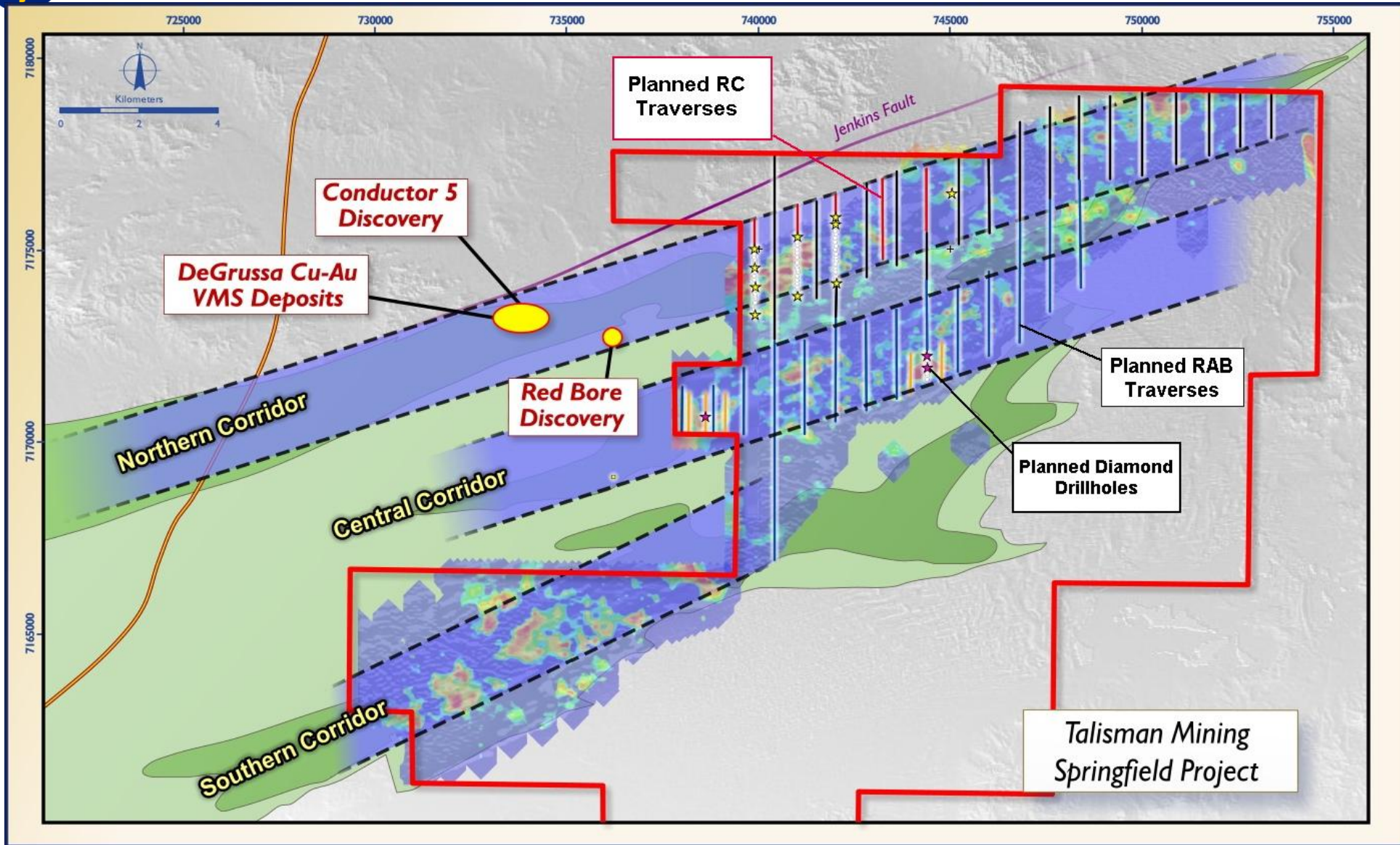


Figure 3 – Springfield Planned Reconnaissance RAB Drilling

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	37
1.2	Payments for:		
	(a) exploration and evaluation	(1,596)	(5,047)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(324)	(1,226)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	245	591
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(1,675)	(5,645)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(133)	(284)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	32,250	34,250
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	32,117	33,966
1.13	Total operating and investing cash flows (carried forward)	30,442	28,321

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	30,442	28,321
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	46	5,012
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(1)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	46	5,011
	Net increase (decrease) in cash held	30,488	33,332
1.20	Cash at beginning of quarter/year to date	16,506	13,662
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	46,994	46,994

Payments to directors of the entity and associates of the directors

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

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	245
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration to director's.

Non-cash financing and investing activities

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

35.5 million fully paid ordinary shares in Rico Resources Limited (ASX code: RRI) received as part consideration for sale of Wonmunna and Uaroo assets. (see ASX release dated 17 February 2011)
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,000
4.2 Development	-
4.3 Production	-
4.4 Administration	350
Total	3,350

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,098	3,493
5.2 Deposits at call	45,895	13,013
5.3 Bank overdraft		-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	46,994	16,506

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E47/1137	Tenement disposed on sale.	100%	-
	E08/1939	Tenement disposed on sale	100%	-
	MLA47/1423	Application disposed on sale	100%	-
	MLA47/1424	Application disposed on sale	100%	-
	MLA47/1425	Application disposed on sale (Sale of above to Rico Resources see 2.1)	100%	-
6.2 Interests in mining tenements acquired or increased	E52/2660	Application	-	100%
	E52/2661	Application	-	100%
	E52/2662	Application	-	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	130,438,627	130,438,627		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,106,294	3,106,294	\$0.20	\$0.20
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

7.7	Options <i>(description and conversion factor)</i>	4,000,000	-	Exercise price	Expiry date
		250,000	-	\$0.22	31/08/11
		250,000	-	\$1.27	30/11/13
		250,000	-	\$1.35	30/11/13
		250,000	-	\$1.44	30/11/13
		250,000	-	\$1.53	30/11/13
		50,000	-	\$1.03	14/09/12
		50,000	-	\$1.09	14/03/13
		500,000	-	\$1.00	31/05/11
		500,000	-	\$1.20	31/05/11
		500,000	-	\$1.60	31/05/11
		500,000	-	\$2.20	31/05/11
		2,250,000	-	\$0.50	30/06/13
		1,500,000	-	\$0.60	30/06/13
		2,250,000	-	\$0.70	30/06/13
		200,000	-	\$1.36	07/07/11
		400,000	-	\$1.00	30/11/13
		200,000	-	\$1.10	30/11/13
		200,000	-	\$1.20	30/11/13
		200,000	-	\$1.30	30/11/13
		200,000	-	\$0.95	30/06/13
		25,000	-	\$1.14	27/10/11
		25,000	-	\$1.32	27/04/13
7.8	Issued during quarter	50,000	-	\$1.03	14/09/12
		50,000	-	\$1.09	14/03/13
7.9	Exercised during quarter	3,106,294	3,106,294	\$0.20	31/12/10
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Daniel Madden Date: 20 April 2011

Company Secretary



Print name: Daniel Madden

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

+ See chapter 19 for defined terms.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.