TALISMAN MINING LTD

annual report 2011

CORPORATE DIRECTORY

DIRECTORS

ALAN SENIOR - *Non-Executive Chairman*
GARY LETHRIDGE - *Managing Director*
PETER LANGWORTHY - *Technical Director*
BRIAN DAWES - *Non-Executive Director*
KAREN GADSBY - *Non-Executive Director*

COMPANY SECRETARY

Daniel Madden (ACA)

REGISTERED & PRINCIPAL OFFICE

Ground Floor, 6 Centro Avenue
Subiaco
Western Australia 6008
Telephone + 61 8 9380 4230
Facsimilie +61 8 9382 8200
Website: www.talismanmining.com.au

AUDITORS

HLB Mann Judd
Level 4, 130 Stirling Street
Perth Western Australia 6000

SHARE REGISTRY

Link Market Services
Ground Floor, 178 St Georges Terrace
Perth Western Australia 6000
Telephone + 1300 554 474

SECURITIES EXCHANGE

Australian Securities Exchange Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000
ASX Code: TLM

CONTENTS

TALISMAN
MINING LIMITED

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present to you your Company's 2011 Annual Report.

This has been another exciting and transformational year for Talisman Mining where we have:

- substantially re-capitalised the Company following the disposal of our non-core iron ore assets;
- continued to vigorously explore the exciting Springfield Copper-Gold Project, immediately adjacent to Sandfire Resources' Doolgunna project; and
- successfully broadened our exploration portfolio through sensible and cost effective expansion initiatives within Western Australia.

In mid-February this year the Company completed 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 shares in Rico Resources Limited and a 1% gross royalty on all production from these projects. This pivotal transaction, which realised value in excess of market expectations, has successfully re-capitalised Talisman at a time of market difficulty. Additionally, Rico Resources are actively pursuing the opportunity for potential development of the Wonmunna project. If successful this would provide Talisman with significant participation in the future potential upside of Rico's iron ore focused growth plans.

Exploration at the Springfield Copper–Gold Project actively continued during the year with $7.2 million being spent enabling the compilation of multiple high quality geological databases which are now providing an important insight into Springfield's geology. Specifically, we have recently identified five specific stratigraphic horizons at Springfield, over a combined strike length of approximately 35 to 40km, which are considered prospective for the development of VMS mineral systems. Also, we have intersected high grade copper sulphides at the Monty prospect, plus obtained a range of other anomalous copper intersections throughout the Project. The coming twelve months should see Talisman significantly advance the Springfield Project with a change of focus from reconnaissance to more targeted exploration activities.

Over the past two years we have implemented a strategy of seeking out low cost quality exploration acquisition opportunities. To this end, as a result of our initial project assessment, we have expanded our focused project holding in the Murchison region of Western Australia by pegging additional ground around our Shelby and Milgun Projects. We have also acquired the Muddawerrie and Livingstone Gold Projects providing the Company with excellent opportunities to develop a series of high priority drilling targets.

Talisman's exploration portfolio now totals in excess of 2,400km² across six active projects focused primarily on exploration for copper-gold and gold in the Murchison region of Western Australia.

At 30 June 2011, the Company had available cash reserves of approximately $43 million.

I am pleased to say that this strong financial position, along with our very capable management and exploration team, provides an appropriate platform for us to continue the existing systematic exploration of our current quality projects whilst placing Talisman in a position to potentially take advantage of sensible new growth opportunities which may become available. We remain committed to our corporate goal of creating a quality Australian mining and exploration company focused on generating profits and shareholder returns.

Finally, I would once again like to thank our employees for their hard work and commitment in what has been a very busy year and I look forward to their continued support over the next twelve months.

Yours faithfully

Alan Senior
Chairman

REVIEW OF OPERATIONS

EXPLORATION STRATEGY

Over the past 12 months Talisman Mining has aggressively explored and continued to develop its portfolio of highly prospective exploration projects in the Northern Murchison region of Western Australia (Figure 1). The central focus has been to advance the priority Springfield Copper-Gold Project whilst progressing and adding both regional base metal and gold projects.

Talisman's exploration strategy for the next twelve months is to:

- continue aggressive programs of exploration for high-grade copper-gold VMS deposits at the Company's Springfield Project;
- look to expand the company's position within the highly prospective Bryah Basin to be positioned for an emergence of a potentially new, world-class VMS "Camp";
- advance the Company's gold exploration portfolio through exploration and potential local project acquisitions;
- consolidate our understanding of the Shelby-Milgun Project and develop an appropriate exploration strategy for this extensive grassroots exploration project; and
- continue to seek new quality advanced project opportunities for acquisition and exploration. Targeted commodities are copper-gold, gold and nickel.

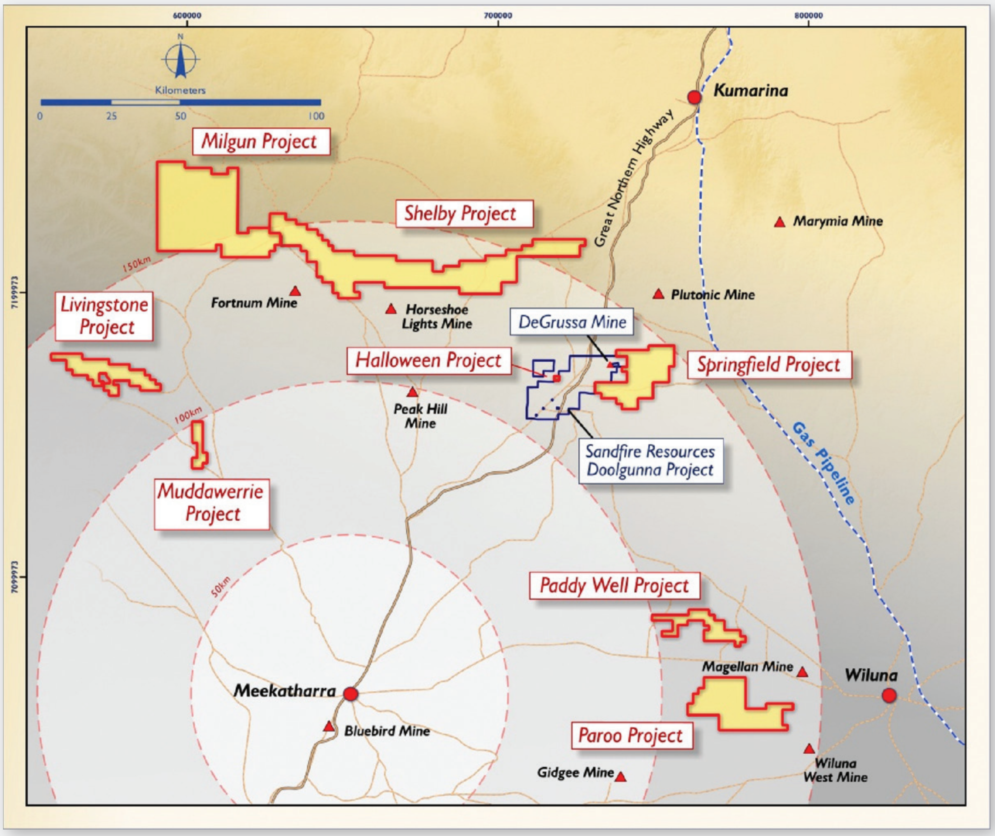


FIGURE 1 - Talisman Mining Project Locations

PROJECTS

SPRINGFIELD COPPER - GOLD PROJECT
(100% Talisman Mining Ltd)

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

The project is located immediately along strike to the east of Sandfire Resources' DeGrussa Project where reported mineral resources now stand at 14.3mt @ 4.6% Cu and 1.6g/t Au 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.

Talisman Mining Ltd has been aggressively exploring the Springfield Project since the grant of the first two project tenements in November 2009. Exploration activities have been focused on the generation of quality data sets that have to date supported the view that the Springfield Project has multiple prospective exploration opportunities that will sustain and justify long term exploration efforts at the project.

Fundamental exploration activities over this period have comprised:

- geological mapping;
- geochemical sampling;
- a detailed airborne magnetic survey;
- moving loop electromagnetic (MLEM) surveys;
- detailed gravity surveys; and
- downhole electromagnetic surveys (DHEM).

In addition to these fundamental exploration activities, programs of diamond, reverse circulation (RC) and rotary air blast (RAB) drilling have been undertaken concurrently to test priority targets as they have emerged from the exploration data. These drilling programs have also been undertaken to provide critical stratigraphic and structural information that is necessary for exploring for this type of deposit.

The outcomes from this work confirm Talisman's view that the Springfield Project is a world-class exploration opportunity with potential to host world-class copper-gold VMS deposits.

Downhole electromagnetic surveying at Springfield project

REVIEW OF OPERATIONS (CONTINUED)

KEY RESULTS:

- Significant copper mineralisation (chalcopyrite-pyrite-quartz) has been intersected in diamond drilling at the Monty Prospect (Figure 2). The copper sulphides have been intersected in both a footwall stringer-breccia position associated within an extensive and intense alteration system and along a defined volcano-sedimentary contact. Key results include:

- SPD020	0.3 metres @ 7.6% Cu
- SPD021	0.5m @ 1.3% Cu and 1.0g/t Au
- SPD023	0.25 metres @ 1.13% Cu
- SPRC141	7.0 metres @ 0.21% Cu

- The Monty Prospect now has a drill identified target horizon associated with this alteration system over at least 1.6 kilometres and potentially up to 3 kilometres based on the interpretation of geophysical and geochemical data.
- Wide spaced drilling at the Homer Prospect has identified widespread VMS-related alteration associated with low-levels of disseminated copper-sulphides (chalcopyrite) across a package of mafic volcanic, volcanoclastic and sedimentary rocks. The Homer Prospect is located approximately 4kms east of Sandfire Resources DeGrussa Deposits.
- The systematic collection of comprehensive moving loop electro-magnetic data (MLEM) has identified a number of conductive anomalies that will justify drill testing.
- The recognition of the association of strong alteration with coincident discrete gravity highs and magnetic lows provides a key targeting parameter that can be applied across the wider Springfield Project.
- Identification of a series of discrete "bulls-eye" magnetic features that have strong similarities to the mineralised position at the Red Bore Prospect currently being explored by Thundelarra Exploration.

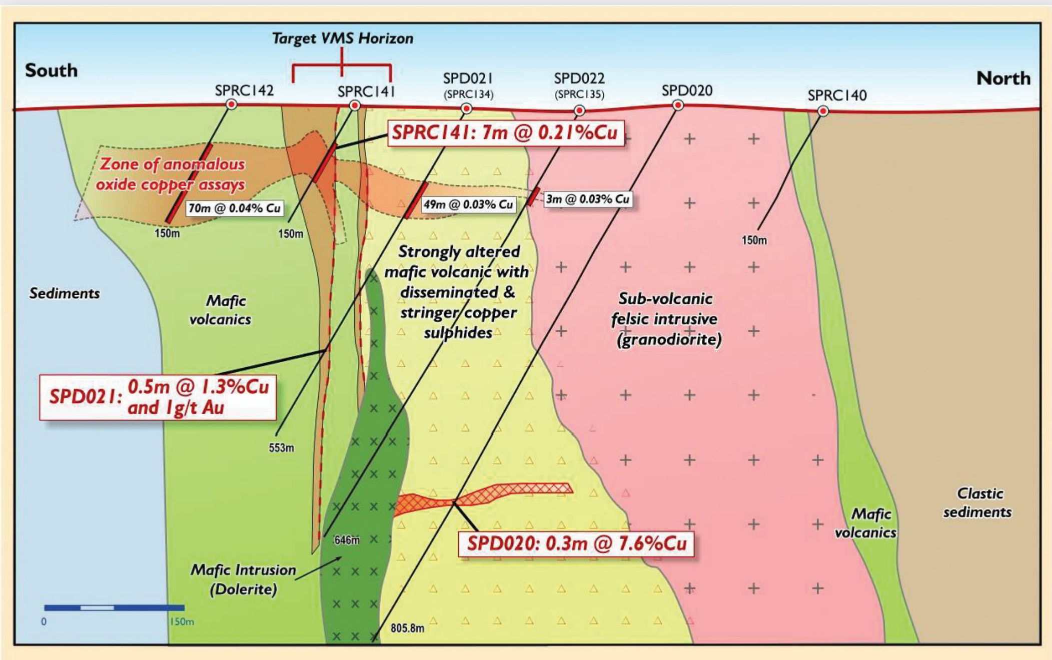


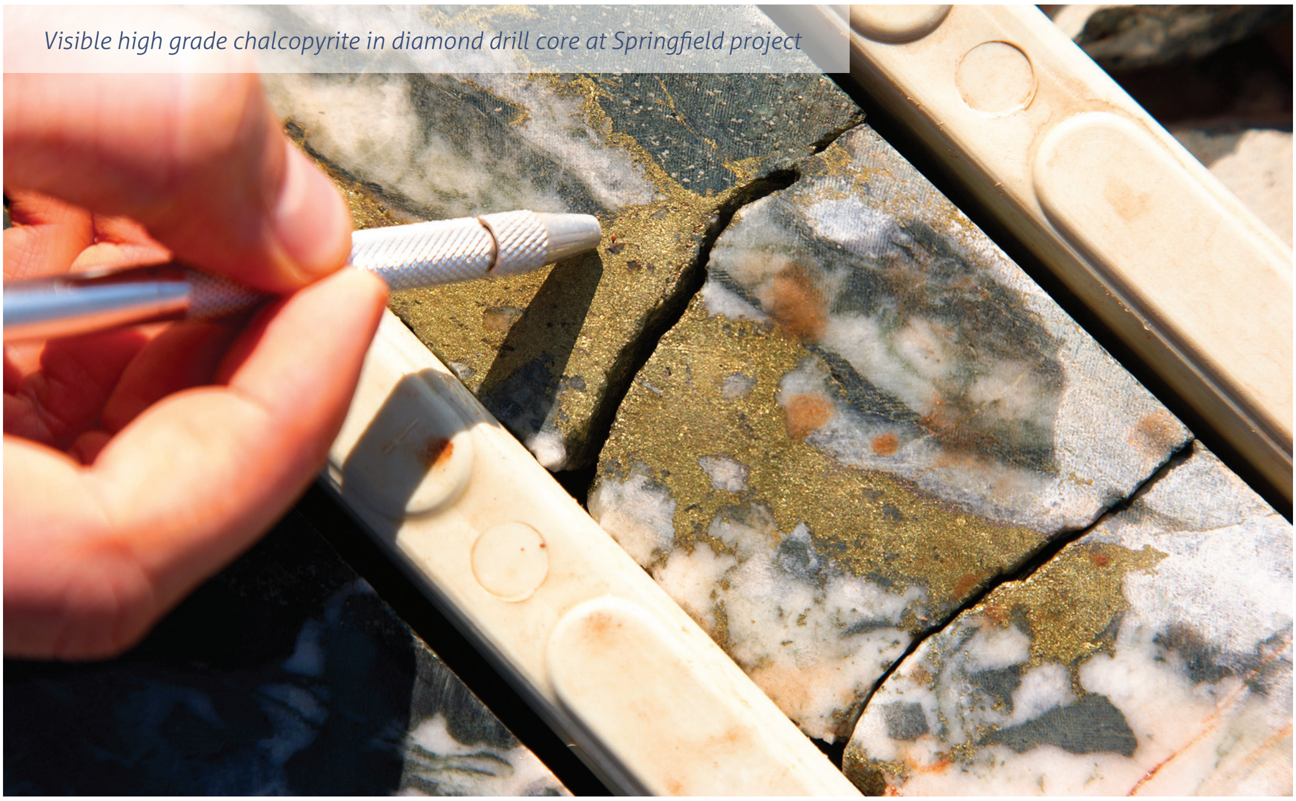
FIGURE 2 – Monty Prospect Interpreted Section (743600mE)

FUTURE EXPLORATION:

Given the location and the deemed prospectivity of the Springfield Project it very much remains Talisman's major priority for exploration moving into the 2011–2012 financial year. Programs of exploration over the next 12 months are anticipated to consist of:

- targeted diamond and reverse circulation drilling with accompanying DHEM;
- completion of the regional RAB drilling program to provide critical information in constructing the detailed project geology and to provide important geochemical data that can then be targeted with follow-up RC drilling; and
- application of appropriate geophysical techniques including, MLEM, IP and gravity on a targeted basis.

Visible high grade chalcopyrite in diamond drill core at Springfield project



REVIEW OF OPERATIONS (CONTINUED)

Diamond drilling at Springfield project

REGIONAL BASE METALS PROJECTS

In addition to the advancing Springfield Project, Talisman has also successfully consolidated a series of exploration projects both within the Bryah Basin and the adjacent Bangemall Basin. These projects provide Talisman with exposure to extensive areas of prospective geology in areas that have had little, if any, meaningful base metals exploration. These projects position Talisman to take advantage of the emergence of what could be a new geological province for world class base metal 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 region and to develop exploration strategies that complement the core activities at Springfield.

HALLOWEEN PROJECT (Cu-Au)
(100% Talisman Mining Ltd)

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 (figure 1). The Halloween Project covers the interpreted western extension of the horizon within the Narracoota Volcanic Formation that locally hosts the DeGrussa Deposit.

Due to delays in gaining Heritage and Native Title clearances exploration during the year ended 30 June 2011 has focused on geological mapping to understand the origin of two broad copper-gold geochemical anomalies (figure 3). These geochemical targets consist of:

- an extensive 700m long by 200m wide, north-striking, copper-gold anomaly with assays peaking at 960ppb gold; and
- a lower order northwest-striking copper-gold anomaly (400m long by 150m wide) with assays peaking at 90ppb gold.

A 2,000 metre (~15 hole) reverse circulation (RC) drilling program is planned at the Halloween Project to test several geochemical anomalies and represents the first phase of drilling at this prospect.

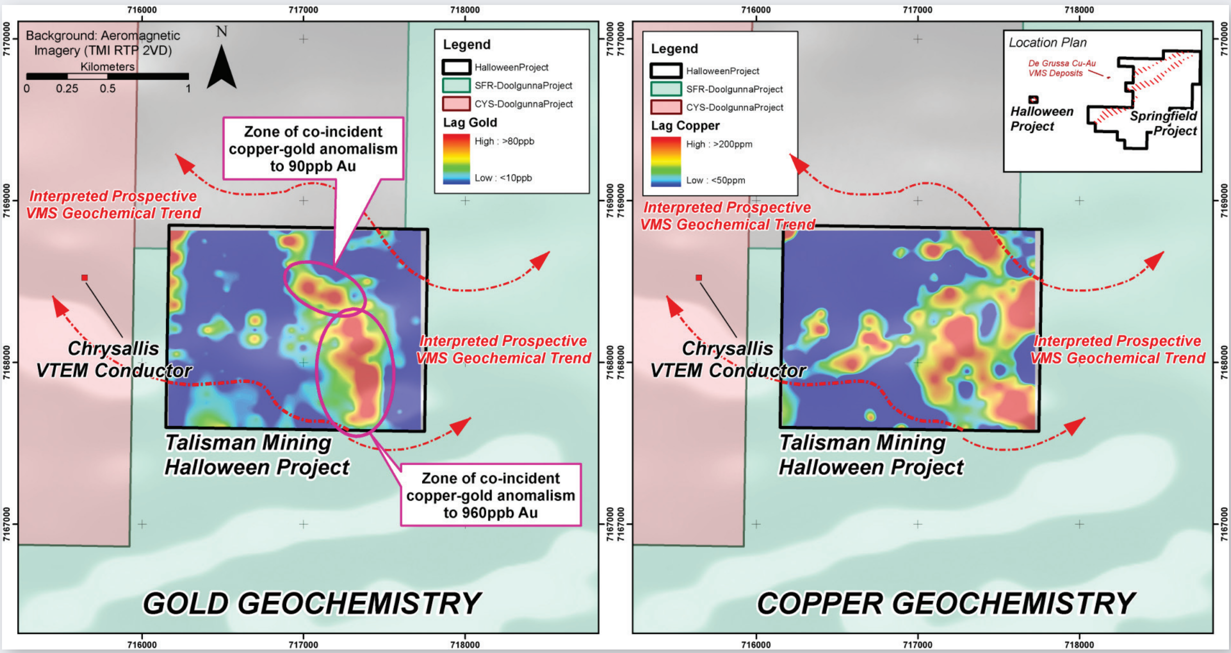


FIGURE 3 – Halloween Project Gold and Copper Geochemistry

REVIEW OF OPERATIONS (CONTINUED)

SHELBY PROJECT (Cu-Au)
(100% Talisman Mining Ltd)

The 1,050km² Shelby Project is located north of the margin between the Bryah Basin and the younger overlapping Bangemall Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (figure 1). Talisman is targeting large scale mineral deposits along a 140 kilometre extent of an interpreted crustal suture zone along the interpreted edge of the Yilgarn Craton.

Talisman was 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. Towards the end of 2010 – 2011 Talisman successfully completed a 1,488m drill hole (Figure 4) to test a large magnetic body that had been identified and modelled from recently collected airborne magnetic data.

The drill hole (SHD001A) intersected a thick package of schistose and altered mafic and ultramafic rocks that are interpreted as a series of volcanic flows and intrusives. Deeper in the hole a complex of intermediate to felsic intrusive rocks has also been identified. This sequence of rocks is located beneath an approximately 500m thick sequence of younger Bangemall Basin sediments.

Importantly the sequence of rocks is over printed by a strong, zoned hematite-magnetite alteration system that may be related to a mineralising event. Minor trace chalcopyrite was also noted. Samples from this hole have been sent to ACME Labs in Vancouver, Canada for a detailed geochemical suite of analysis. ACME Labs is recognised as one of the leading geochemical and assaying laboratories in the world.

The results of this analysis along with detailed geochronology analysis currently being completed in Australia, will assist in identifying the age and sequence of the geology, further refining follow-up drill targets designed to identify potential mineralised systems. Through the EIS process this information will be made public immediately.

To understand and evaluate the entire Shelby Project, and to provide the basis for ongoing targeting, a regional airborne magnetic survey and a regional ground based gravity survey have been completed covering the entire project (see figure 5). The results of this work have identified a number of large magnetic anomalies that, similar to the target already drill tested, potentially represent large alteration systems associated with a mineralizing event. These magnetic features are considered priority areas for more detailed evaluation.

These activities at Shelby demonstrate Talisman's capacity to develop large scale, grassroots exploration targets at a relatively low cost using sophisticated modern day exploration techniques.

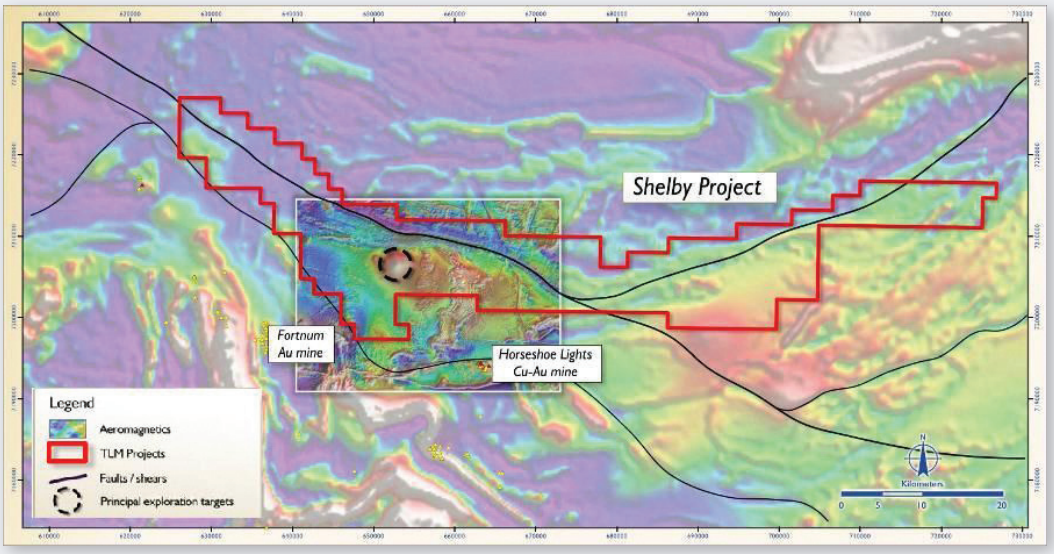


FIGURE 4 – Shelby Project Airborne Magnetics

MILGUN PROJECT (Cu-Au)
(100% Talisman Mining Ltd)

The Milgun Project is located contiguous to the north west of the Shelby Project and covers what Talisman has identified as a northern outlier of the Bryah Basin as well as extensions of the crustal suture zone being targeted at Shelby (Figure 1). The 831km² Project was originally targeted for gold; however recent assessments have identified the presence of a sequence of volcanic rocks that are likely to be the equivalent of the Narracoota Volcanic Formation, and are therefore prospective for VMS-style deposits.

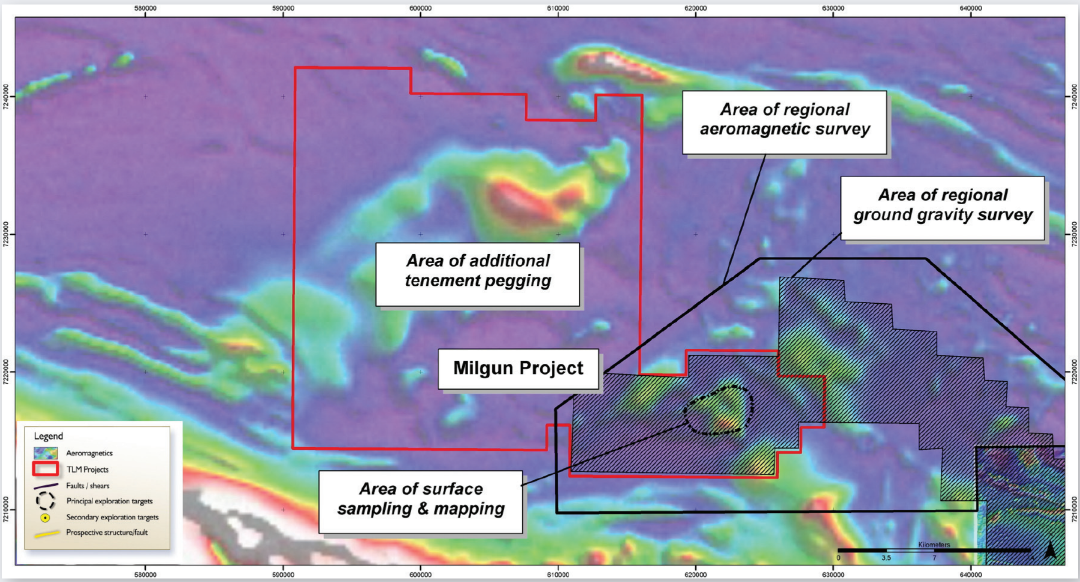


FIGURE 5 – Milgun Project Geology and Airborne Magnetics

Exploration at the project to date has been largely focused on the Narracoota Volcanic Formation targeting VMS-style deposits. This work has consisted of detailed geological mapping, geochemical sampling and the collection of geophysical datasets including detailed airborne magnetics and ground based gravity (figure 5). The mapping around a group of historical workings that has previously returned high grade rock chips results (peak result ~2.4% Cu) has identified a prospective contact between a sequence of mafic volcanic rocks and overlying volcanoclastic rocks and will be the focus of the next phase of exploration.

In a regional context the Milgun Project is considered an extension of the large, prospective corridor that is covered by the Shelby Project to the east. The magnetic and gravity data make up part of this larger dataset.

To further consolidate what Talisman believes already to be a highly prospective regional corridor, an additional 630km² covering 30 strike kilometres has recently been added to the Milgun project through an open ground pegging opportunity.

Exploration at Milgun in the near term will consist of targeting the VMS potential with additional geochemical sampling, mapping and targeted geophysical surveys (e.g. MLEM). The results of this work will determine the type and amount of follow-up drilling. More regionally, all the available data will be assessed and the project targeted for large scale deposits.

REVIEW OF OPERATIONS (CONTINUED)

GOLD EXPLORATION PROJECTS

During 2010-2011 Talisman acquired two significant gold projects in the Murchison area of Western Australia. The acquisitions are consistent with Talisman's stated strategy of seeking to expand and diversify its exploration portfolio through the pursuit and acquisition of suitable new growth opportunities in copper-gold, gold and nickel.

MUDDAWERRIE PROJECT (Au)
(80% Talisman Mining Ltd)

The Muddawerrie Project is located approximately 100km north west of Meekatharra in the Murchison Region of Western Australia (figure 1). The granted Exploration License covers an area of approximately 52km² and encompasses the entire 16km strike length of an Archaean greenstone belt that is highly prospective for banded iron formation (BIF) and mafic hosted shear zone hosted gold deposits, similar to those at Mt Magnet and Meekatharra.

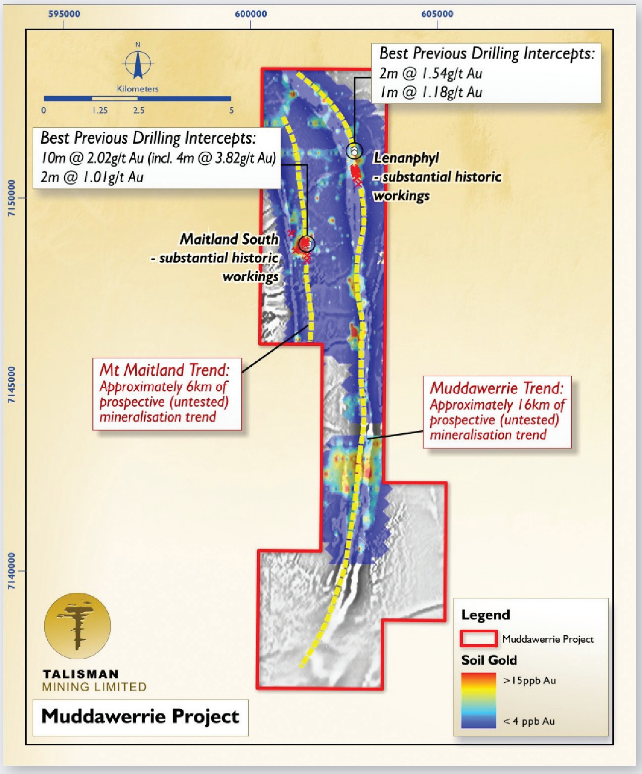


FIGURE 6 – Muddawerrie Gold Project

The exploration opportunity presented at the Muddawerrie Project is based on two parallel mineralised shear zones covering at least 16km of strike have only received cursory amounts of historic exploration (figure 6). Limited shallow drilling in the vicinity of historical workings has consistently returned highly anomalous results including:

- MTC003 10m @ 2.10g/t Au
- MTC005 2m @ 1.01g/t Au
- MTC007 2m @ 1.54g/t Au
- MTC011 1m @ 1.18g/t Au

The Muddawerrie Project represents an opportunity to quickly develop a series of high priority drilling targets for gold in a poorly tested Archaean Greenstone Belt. Initial RC drilling is planned for September / October 2011.

LIVINGSTONE PROJECT (Au)
(80% Talisman Mining Ltd)

The Livingstone Project is located approximately 25km to the immediate north west of the Muddawerrie Project (figure 1). The project consists of three Exploration Licences and covers an area of 208km² of the western extension of the Proterozoic aged Bryah Basin.

The Project has demonstrated gold endowment with a series of significant high-grade gold intercepts returned from both reverse circulation (RC) and rotary air blast (RAB) drilling over a 31km strike length of the Central Shear Zone (CSZ) (figure 7). In general, this extensive gold mineralised trend has not been subject to systematic exploration.

Significant historic results include:

- TRC015 6m @ 5.30g/t Au
- TRC037 7m @ 4.75g/t Au
- MSEC165 2m @ 4.65g/t Au

In addition to the main CSZ, a number of other targets have been identified that require follow-up exploration. The Winja Prospect has returned sporadic thick, high grade gold intersections from within a dolomitic host sequence. Exploration is required to determine the style and extent of this gold mineralisation with best results including:

- TRC070 29m @ 5.20g/t Au
- TRC094 13m @ 3.71g/t Au

At the Livingstone Prospect, a large zone of mineralised quartz stockwork has been defined through an extensive series of old workings and a limited amount of shallow drilling. Further work is required to understand the extent and quality of the gold stockwork zone and to determine the best drilling orientation. Best results include:

- LR051 14m @ 2.71g/t Au
- LRC001 4m @ 3.39g/t Au

Subject to securing the required statutory permits, the Livingstone Project represents an opportunity to quickly develop a series of high priority drilling targets for gold.

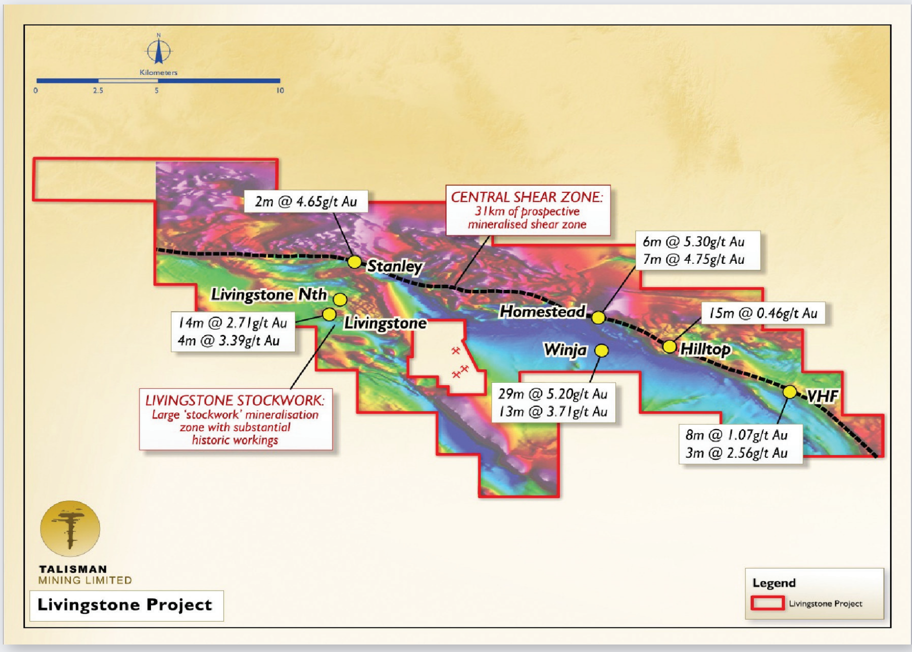


FIGURE 7 – Livingstone Gold Project

REVIEW OF OPERATIONS (CONTINUED)

OTHER PROJECTS

SKULL SPRINGS (Mn)
(TLM 100%)

The Skull Springs Project is comprised of 3 granted exploration licenses located to the immediate west of the Woodie Woodie operations (figure 8). High grade rock chips up to 65% Mn have previously been assayed from samples taken from outcropping rock exposures.

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. Shaw River has subsequently failed to undertake the required level of exploration during the farm-in period and has notified Talisman that it has withdrawn from the Skull Springs JV.

Talisman believes that the Skull Springs Project remains an attractive opportunity for the discovery of quality manganese deposits with a series of drill ready targets 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. The project will be reviewed and its future direction determined.

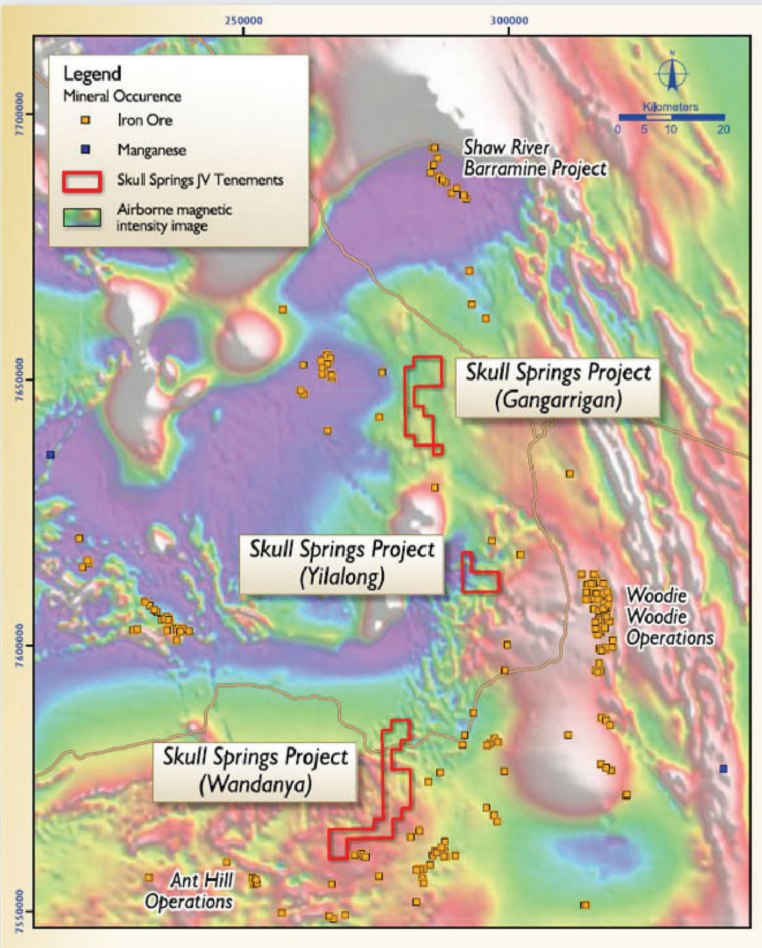


FIGURE 8 – Skull Springs Tenements

PAROO AND PADDY WELL
(TLM 100%)

The Paroo and Paddy Well Projects are located approximately 50km to the west of Wiluna and cover 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.

ANTICLINE POLYMETALLIC PROJECT
(100% Talisman Mining Ltd – iron rights held by FMG)

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.

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

TOM PRICE POLYMETALLIC PROJECT
(100% Talisman Mining Ltd – iron rights held by FMG)

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.

WONMUNNA AND UAROO PROJECTS (Fe)

Talisman completed the sale of the Wonmunna and Uaroo iron ore projects to Rico Resources Limited on 17 February 2011 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 completion of the sale of the projects represented a significant platform for future focused growth, providing the Company with a total cash injection of $34.25 million. This has enabled the Company to undertake the largest exploration initiative in its history and to permit active ongoing exploration and growth activities in the Bryah Basin and elsewhere. The transaction has also significantly enhanced the Company's ability to target additional new growth opportunities in the Australian resources sector and provided potential future value upside for Talisman through its Rico Resources Limited shareholding.

Competent Persons Statement:
Information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Graeme Cameron, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Graeme Cameron 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 Graeme Cameron consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Reconnaissance exploration at Springfield project

TENEMENT SCHEDULE

Project	Tenement	Blocks (Area)	Talisman Equity (%)	JV Partner	Expiry	Annual Commitment	Comments
ANTICLINE	ANT - E47/1194	28	100	FMG (Fe)	12/12/2011	$ 84,000	
	ANT - E47/1195	35	100	FMG (Fe)	12/12/2011	$ 105,000	
	ANT - E47/1196	35	100	FMG (Fe)	12/12/2011	$ 105,000	
GANGARRIGAN	GNG - E45/3268	1	100		17/06/2014	$ 10,000	
	GNG - E45/3269	23	100		17/06/2014	$ 230,000	
HALLOWEEN	HLW - P52/1241	(200.0 HA)	100		17/03/2012	$ 8,000	
LIVINGSTONE	LVS - E52/2565	15	80	Murchison Resources JV	17/04/2016	$ 20,000	
	LVS - E52/2566	31	80	Murchison Resources JV	17/04/2016	$ 31,000	
	LVS - E52/2593	24	80	Murchison Resources JV	17/04/2016	$ 24,000	
MILGUN	MLG - E52/2281	41	100		20/01/2014	$ 41,000	
	MLG - E52/2689	70	100		6/07/2016	$ 70,000	
	MLG - E52/2690	67	100		6/07/2016	$ 67,000	
	MLG - E52/2691	69	100		6/07/2016	$ 69,000	
	MLG - E52/2708	21	100		25/08/2016	$ 21,000	
MUDDAWERRIE	MDW - E51/1447	17	80	Murchison Resources JV	17/04/2016	$ 20,000	
PADDY WELL	PWL - E51/1456	46	100		10/07/2016	$ 46,000	
PAROO	PAR-E53/1577	46	100				application
	PAR-E53/1578	70	100		19/04/2016	$ 70,000	
SHELBY	SHL - E52/2499	42	100		10/12/2014	$ 42,000	
	SHL - E52/2500	36	100		10/12/2014	$ 36,000	
	SHL - E52/2519	25	100		7/01/2015	$ 25,000	
	SHL - E52/2628	29	100		16/11/2015	$ 29,000	
	SHL - E52/2629	9	100		16/11/2015	$ 20,000	
	SHL - E52/2634	19	100		28/11/2015	$ 20,000	
	SHL - E52/2660	21	100		31/03/2016	$ 21,000	
	SHL - E52/2661	69	100		31/03/2016	$ 69,000	
	SHL - E52/2662	50	100		31/03/2016	$ 50,000	
SPRINGFIELD	SPR - E52/2282	70	100		24/11/2014	$ 70,000	
	SPR - E52/2313	14	100		24/11/2014	$ 20,000	
	SPR - E52/2466	14	100		5/4/20015	$ 20,000	
TOM PRICE	TMP - E47/1136	30	100	FMG (Fe)	19/02/2012	$ 90,000	
WANDANYA	WND - E46/0764	36	100		20/05/2014	$ 36,000	
YILGALONG	YLG - E45/3220	10	100		10/02/2014	$ 20,000	

CORPORATE GOVERNANCE STATEMENT

APPROACH TO CORPORATE GOVERNANCE

Talisman Mining Limited ("Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.
Further information about the Company's corporate governance practices may be found on the Company's website at www.talismanmining.com.au, under the section marked "About Us – Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("Reporting Period"). The Principles & Recommendations were amended in 2010, and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles and Recommendations prior to their amendment in 2010. The Company has made a partial early transition to the amended Principles & Recommendations by adopting a Diversity Policy, which is available on the Company's website.

BOARD

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director
(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board 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 its circumstances change, the Board may make further appointments of independent directors if considered appropriate.

The independent directors of the Company are Alan Senior and Karen Gadsby. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. Brian Dawes has been appointed as a non-executive director as of 1 July 2011, however, as Brian has previously acted as an executive director (to 30 June 2011) he is not considered independent.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on, and set out in its Board Charter, the following guidelines for assessing the materiality of matters:

- Statement of financial position items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Gary Lethridge, Brian Dawes and Peter Langworthy. The independent Chair of the Board is Alan Senior and the Managing Director is Gary Lethridge, who is not also Chair of the Board.

Independent professional advice
(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting and the re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES

Nomination Committee
(Recommendations: 2.4, 2.6)

The Board has established a Nomination Committee which during the year comprised of Alan Senior (Chair) and Karen Gadsby. Brian Dawes was appointed to the Nomination Committee on 1 July 2011.

The Nomination Committee held one meeting during the Reporting Period. Details of attendance at the Nomination Committee meeting are set out in the Directors' Report.

The Company's Nomination Committee Charter is available on the Company's website.

Audit Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit Committee which, during the year comprised of Karen Gadsby (Chair) and Alan Senior. Brian Dawes was appointed to the Audit Committee on 1 July 2011.

During the Reporting Period, the Audit Committee was not structured in accordance with Recommendation 4.2 as it only had two members. However, the Audit Committee was otherwise structured in accordance with Recommendation 4.2. During the Reporting Period, the size and composition of the Board meant that the Company was unable to comply with Recommendation 4.2. However, the Board believed that having two independent non-executive directors on the Committee, and a Chair who did not also Chair the Board, was the most appropriate structure. From 1 July 2011, Brian Dawes became a non-executive director and joined the Audit Committee, resulting in the Audit Committee now being structured in accordance with Recommendation 4.2.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

The Audit Committee held three meetings during the Reporting Period. Details of attendance at the Audit Committee meetings are set out in the Directors' Report.

Details of each of the director's qualifications are set out in the Directors' Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

The Board has established a Remuneration Committee which, during the year comprised of Alan Senior (Chair) and Karen Gadsby. Brian Dawes was appointed to the Remuneration Committee on 1 July 2011.

The Remuneration Committee held one meeting during the Reporting Period. Details of attendance at the Remuneration Committee meeting are set out in the Directors' Report.

To assist the Remuneration Committee to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. Non-executive directors are remunerated at market rates (for comparable companies) for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. Pay and rewards for executive directors and senior executives consist of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website.

PERFORMANCE EVALUATION

Senior executives
(Recommendations: 1.2, 1.3)

The Nomination Committee is responsible for evaluating the Managing Director. Other senior executives are evaluated by the Managing Director in association with the Remuneration Committee.

The performance of the Managing Director and senior executives is evaluated informally on a round-table basis against both individual performance and overall business measures, in addition to formal discussions at Board and Committee meetings as applicable. The performance evaluations are undertaken progressively and periodically.

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

Board, its committees and individual directors
(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Company has adopted policies and procedures concerning the evaluation and development of its directors, executives and Board committees. Procedures include an internal Board performance assessment and ongoing discussions with regard to the performance of the Board and its directors.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place. The evaluation was performed by the Chair distributing questionnaires to be completed by the individual directors, which were then compiled by the Company Secretary for further discussion by the Board as a whole.

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct
(Recommendations: 3.1, 3.3)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website.

Policy for Trading in Company Securities
(Recommendations: 3.2, 3.3)

The Company has established a Policy for Trading in Company Securities by directors, officers, employees, and their connected persons (eg spouses and controlled entities).

A copy of the Company's Policy for Trading in Company Securities is available on the Company's website.

CONTINUOUS DISCLOSURE
(Recommendations: 5.1, 5.2)

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

Summaries of the Company's Policy on ASX Listing Rule Compliance and the Company's Compliance Procedures are available on the Company's website.

SHAREHOLDER COMMUNICATION
(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is available on the Company's website.

RISK MANAGEMENT
Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Risk Management Policy, the Board delegates day-to-day management of risk to the Managing Director. The Managing Director (with the assistance of senior executives) is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board also has a separate Audit Committee which monitors and reviews the integrity of the Company's financial reporting, internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has established systems to identify, categorise and manage the Company's material business risks. The Company utilises a risk matrix, which identifies the Company's material business risks, to assess the severity and likelihood of each risk and promote a risk management strategy. The risk matrix is reviewed by the Board at each meeting to identify any changes that need to be made and is updated as required. The key risks addressed include:

- Occupational health and safety;
- Protection of assets;
- Market risk;
- Liquidly risk; and
- Compliance risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 risk.

A summary of the Company's Risk Management Policy is available on the Company's website.

DIRECTORS' REPORT

Your directors submit herewith the annual financial report of the consolidated entity (referred to hereafter as the Group) consisting of Talisman Mining Ltd and the entities it controlled during the financial year ended 30 June 2011. 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 who held office during or since the end of the financial year are:

Name	Particulars
ALAN SENIOR Asscshp Mech Eng, FIEAUST, CPEng, FAusIMM Appointed 7 November 2007	***Chairman (Non-Executive/Independent)*** 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 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 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 also serves on the Company's Audit Committee. With extensive industry experience and being financially literate, Alan is considered qualified to be a member of the Committee. 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.
GARY LETHRIDGE B. Comm, CA, FCIS, MAICD Appointed 2 February 2009	***Managing Director (Executive/Non-Independent)*** Gary's resource industry involvement has included exposure to all phases of resources projects; from exploration, discovery, feasibility, development and through to operations. Prior to joining Talisman in early 2009 Gary held the position of Executive General Manager-Corporate and Chief Financial Officer at the highly successful Australian nickel producer Jubilee Mines NL, where he was part of the senior executive management team from 2003 until that Company's acquisition by Xstrata in early 2008. Before that, Gary held senior executive positions with LionOre Mining International Limited in Australia (now Norilsk Nickel) and has also previously acted as a Non-Executive Director of two Australian listed exploration companies. Gary is an Associate Member of the Australian Institute of Chartered Accountants, a Fellow of the Australian Chartered Institute of Company Secretaries and a Member of the Australian Institute of Company Directors.
PETER LANGWORTHY B. Sc Hons, MAusIMM Appointed 17 June 2009	***Technical Director (Executive/Non-Independent)*** Peter is a Geologist with over 24 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, 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.

Name	Particulars
BRIAN DAWES B. Sc. Mining, MAusIMM(CP) Appointed 17 June 2009	***Non-Executive Director (Executive Director until 1 July 2011)*** Brian has a mining engineering background with over 28 years experience in project development and operational roles within the mining industry across Australia and overseas, including Africa and the Middle East. Prior to his role as Executive General Manager Operations and Projects at Jubilee Mines NL, he was General Manager Operations with ASX-listed nickel producer Western Areas NL, where he was responsible for the establishment of the Forrestania Nickel Project and Flying Fox Nickel Mine development. Prior to that he was the Group Mining Engineer with LionOre Australia, part of the LionOre Mining International group.
KAREN GADSBY B Comm, FCA, MAICD Appointed 3 April 2008	***Non-Executive Director*** Karen has 27 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 13 years and now predominately works as a non-executive director. She is currently a director of the boards of Forest Products Commission, Landgate and Community First International Ltd and was previously a director of AMES(Vic), GMHBA (Vic), Western Health (Vic) and Perth Home Care Services. Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards. Karen is the Chair of the Company's Audit Committee. With her extensive experience in finance and also having held a number of Audit Committee positions, Karen is considered qualified to guide the Committee. Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.

The above named directors held office for the entire period unless otherwise stated.

DIRECTORS' REPORT (CONTINUED)

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	Tanami Gold NL	31-Jul-07	current
GARY LETHRIDGE	- -	- -	- -
PETER LANGWORTHY	Pioneer Resources Ltd (formerly Pioneer Nickel Ltd) Northern Star Resources Ltd Falcon Minerals Limited	29-Nov-04 16-Jun-06 18-Feb-08	22-Jul-09 22-Apr-09 31-Jul-09
BRIAN DAWES	-	-	-
KAREN GADSBY	-	-	-

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	1,000,000
GARY LETHRIDGE	1,666,667	-
BRIAN DAWES	353,333	2,000,000
PETER LANGWORTHY	666,667	4,000,000
KAREN GADSBY	311,334	500,000

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 3,500,000 share options were granted to the following directors and senior management as part of their remuneration:

Directors and senior management	Number of options granted	Issuing Entity	Number of ordinary shares under option
ALAN SENIOR (i)	1,000,000	Talisman Mining Limited	1,000,000
KAREN GADSBY (ii)	500,000	Talisman Mining Limited	500,000
PETER CASH (iii)	1,000,000	Talisman Mining Limited	1,000,000
GRAEME CAMERON (iii)	1,000,000	Talisman Mining Limited	1,000,000

(i) 250,000 options vest 7 December 2010; 250,000 options vest 1 December 2011; 250,000 options vest 1 June 2012; and 250,000 vest 1 December 2012.

(ii) 125,000 options vest 20 July 2011; 125,000 options vest 17 July 2012; 125,000 options vest 17 January 2013; and 125,000 options vest 17 July 2013 (options issued 20 July 2011).

(iii) 400,000 options vest 25 August 2011; 400,000 options vest 31 December 2011; 400,000 options vest 30 June 2012; 400,000 options vest 31 December 2012 and 400,000 options vest 30 June 2013 (options issued 25 August 2011).

Company Secretary

Daniel Madden BComAcc (Hons), ACA

Daniel joined Talisman on 23 November 2009 and was appointed Company Secretary of Talisman on 1 December 2009. Daniel has spent the last 9 years in the resources industry in Western Australia holding positions as audit manager for Deloitte, Financial Controller for Jubilee Mines NL and Xstrata Nickel Australasia. Most recently he held the senior position of Manager of Finance for Xstrata Nickel Australasia.

Principal activities

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for minerals, primarily base metals, copper-gold 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.

Financial Performance

During the financial year the Group reported an operating profit after tax of $23,086,887 (2010: loss after tax of $6,894,386) which included previously capitalised expenditure of $6,523,886 expensed on disposal of the Wonmunna and Uaroo iron ore projects, which were sold during the financial year for a total consideration of $41,350,000, resulting in a net profit of $34,826,114.

Financial Position

As at 30 June 2011 the Group had net assets of $52,113,877 (2010: $23,054,633) including $43,438,770 of cash and cash equivalents (2010: $13,661,782).

During the year, the Group received $34.25 million in cash and 35.5 million Rico Resources Limited shares as consideration for the sale of the Wonmunna and Uaroo Iron Ore Projects to Rico Resources Limited on 17 February 2011.

The strong statement of financial position and net working capital position will provide support for the Group's planned exploration and growth activities for the forthcoming financial year.

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year, other than as set out in this report.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

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

Environmental regulations

The Group'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 2011.

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.

DIRECTORS' REPORT (CONTINUED)

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	2,250,000	Ordinary	$0.50	30-Jun-13
Talisman Mining Limited	1,500,000	Ordinary	$0.60	30-Jun-13
Talisman Mining Limited	2,250,000	Ordinary	$0.70	30-Jun-13
Talisman Mining Limited	400,000	Ordinary	$1.00	30-Nov-13
Talisman Mining Limited	200,000	Ordinary	$1.10	30-Nov-13
Talisman Mining Limited	200,000	Ordinary	$1.20	30-Nov-13
Talisman Mining Limited	200,000	Ordinary	$1.30	30-Nov-13
Talisman Mining Limited	200,000	Ordinary	$0.95	30-Jun-13
Talisman Mining Limited	25,000	Ordinary	$1.14	26-Oct-11
Talisman Mining Limited	25,000	Ordinary	$1.32	26-Apr-13
Talisman Mining Limited	50,000	Ordinary	$1.03	14-Sep-12
Talisman Mining Limited	50,000	Ordinary	$1.09	14-Apr-14
Talisman Mining Limited	250,000	Ordinary	$1.27	30-Nov-13
Talisman Mining Limited	250,000	Ordinary	$1.35	30-Nov-13
Talisman Mining Limited	250,000	Ordinary	$1.44	30-Nov-13
Talisman Mining Limited	250,000	Ordinary	$1.53	30-Nov-13
Talisman Mining Limited	125,000	Ordinary	$0.90	31-Jul-14
Talisman Mining Limited	125,000	Ordinary	$0.97	31-Jul-14
Talisman Mining Limited	125,000	Ordinary	$1.03	31-Jul-14
Talisman Mining Limited	125,000	Ordinary	$1.09	31-Jul-14
Talisman Mining Limited	475,000	Ordinary	$0.69	31-Dec-14
Talisman Mining Limited	500,000	Ordinary	$0.73	31-Dec-14
Talisman Mining Limited	550,000	Ordinary	$0.78	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	$0.83	31-Dec-14
Talisman Mining Limited	400,000	Ordinary	$0.85	31-Dec-14

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.

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	22,836,769	Ordinary	$0.20	-
Talisman Mining Limited	1,778,000	Ordinary	$0.25	-
Talisman Mining Limited	1,000,000	Ordinary	$0.22	-

There are no unpaid amounts on the shares issued.

Options that expired/lapsed

Details of employee options that 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	(444,000)	Ordinary	$0.25	31-Dec-10
Talisman Mining Limited	(1,000,000)	Ordinary	$1.20	31-Dec-10
Talisman Mining Limited	(300,000)	Ordinary	$1.20	31-Dec-10
Talisman Mining Limited	(50,000)	Ordinary	$1.20	31-Dec-10
Talisman Mining Limited	(50,000)	Ordinary	$1.20	31-Dec-10
Talisman Mining Limited	(1,000,000)	Ordinary	$1.00	30-Nov-10
Talisman Mining Limited	(500,000)	Ordinary	$1.00	30-Nov-10
Talisman Mining Limited	(1,000,000)	Ordinary	$1.20	30-Nov-10
Talisman Mining Limited	(500,000)	Ordinary	$1.20	30-Nov-10
Talisman Mining Limited	(1,000,000)	Ordinary	$1.60	30-Nov-10
Talisman Mining Limited	(500,000)	Ordinary	$1.60	30-Nov-10
Talisman Mining Limited	(1,000,000)	Ordinary	$2.20	30-Nov-10
Talisman Mining Limited	(500,000)	Ordinary	$2.20	30-Nov-10
Talisman Mining Limited	(500,000)	Ordinary	$1.00	31-May-11
Talisman Mining Limited	(500,000)	Ordinary	$1.20	31-May-11
Talisman Mining Limited	(500,000)	Ordinary	$1.60	31-May-11
Talisman Mining Limited	(500,000)	Ordinary	$2.20	31-May-11
Talisman Mining Limited	(12,500)	Ordinary	$1.36	7-Jul-11
Talisman Mining Limited	(100,000)	Ordinary	$1.36	7-Jul-11
Talisman Mining Limited	(50,000)	Ordinary	$1.36	7-Jul-11
Talisman Mining Limited	(50,000)	Ordinary	$1.36	7-Jul-11
Talisman Mining Limited	(3,000,000)	Ordinary	$0.22	31-Aug-11

DIRECTORS' REPORT (CONTINUED)

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, 5 board meetings, 3 audit committee meetings, 1 remuneration committee meeting and 1 nomination committee meeting was held.

	Board of directors		Audit committee		Remuneration committee		Nomination committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
ALAN SENIOR	5	5	3	3	1	1	1	1
GARY LETHRIDGE	5	5	-	2	-	1	-	1
BRIAN DAWES	5	5	-	3	-	-	-	1
PETER LANGWORTHY	5	5	-	1	-	-	-	-
KAREN GADSBY	5	5	3	3	1	1	1	1

Note: executive directors attending committee meetings during the year attended by invite.

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 34 of the annual report, and forms part of the director's report.

REMUNERATION REPORT

This Remuneration Report, which forms part of the directors' report, sets out information about the remuneration of the key management personnel of Talisman Mining Limited (the "Company") for the financial year ended 30 June 2011. The information in the remuneration report has been audited as required by Section 308(3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group and the Company receiving the highest remuneration.

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

(a) key management personnel details;
(b) remuneration policy and relationship between the remuneration policy and company performance;
(c) remuneration of key management personnel; and
(d) key terms of employment contracts.

(a) Key management personnel details

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

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Peter Langworthy	Technical Director
Brian Dawes	Executive Director (Non-Executive Director from 1 July 2011)
Karen Gadsby	Non-Executive Director
Daniel Madden	Chief Financial Officer and Company Secretary
Harry Cornelius	Chief Geologist

Included in key management personnel above are the 5 highest remunerated executives of the Company and the Group during the year.

(b) Remuneration policy and relationship between the remuneration policy and company performance

Key management personnel (excluding non-executive directors)

The Board is responsible for determining the remuneration policies for the Group, including those affecting executive directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making.

The Company's remuneration policy for executive directors and key management personnel is designed to promote superior performance and long term commitment to the Company. The main principles of the policy when considering remuneration are as follows:

- executive directors and key management personnel are motivated to pursue long term growth and success of the Company within an appropriate control framework;
- interests of key leadership are aligned with the long-term interests of the Company's shareholders; and
- there is a clear correlation between performance and remuneration.

The remuneration policy for executive directors and other key management personnel has two main components, fixed remuneration, long term incentive and a potential discretionary bonus.

Fixed remuneration

Executive directors and other key management personnel receive fixed remuneration in the form of a base salary (plus statutory superannuation) which is reviewed annually by the Remuneration Committee. The review process includes a review of companywide and individual performance, comparative compensation in the market and internally, and, if appropriate, external advice to assist in its decision making.

Long term incentive

To align the interests of key management personnel with the long term objectives of the Group and its shareholders, the Group'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. The issue of share options as remuneration represents cost effective consideration to directors and key management personnel for their commitment and contribution to the Group and are used as a strategic tool to recruit and retain high calibre personnel. Options vest at various periods during the life of the options and value is only realised by directors and key management personnel upon growth in the Company's share price on date of issue of options, of a minimum of 145 and 175 percent .

Vesting conditions relating to the performance of the Group are not considered appropriate having regard to the stage of development of the Group's assets.

DIRECTORS' REPORT (CONTINUED)

Non-executive directors

The Group's non-executive directors receive fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Group'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 Group'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 Group.

A non-executive directors' fee pool limit of $300,000 per annum was approved by the shareholders at the General Meeting on 19 May 2009 and is currently utilised to a level of $215,000 per annum. The fee currently paid for the 2012 financial year to the non-executive Chairman is $95,000 per annum and $60,000 per annum for the non-executive directors (excluding statutory superannuation).

(c) Remuneration of key management personnel

Details of the nature and amount of each element of the remuneration for each director and key management personnel during the year are set out in the following tables:

	Short-term employee benefits				Post - employment benefits	Other longterm employee benefits	Share-based payment		
2011	Salary & fees $	Bonus $	Non - monetary $	Other $	Super-annuation $	$	Options $	Total $	% of compensation linked to performance
Directors									
ALAN SENIOR	88,000	-	-	-	7,920	-	363,432	459,352	79%
GARY LETHRIDGE	350,000	-	-	-	26,250	-	-	376,250	0%
BRIAN DAWES	109,200	-	-	-	9,828	-	66,254	185,282	36%
PETER LANGWORTHY	280,000	-	-	-	25,200	-	132,507	437,707	30%
KAREN GADSBY	55,000	-	-	-	4,950	-	34,406	94,356	36%
Executives									
HARRY CORNELIUS	177,230	-	-	-	15,951	-	-	193,181	0%
DANIEL MADDEN	181,250	-	-	-	16,313	-	209,035	406,598	51%
	1,240,680	-	-	-	106,411	-	805,634	2,152,725	

	Short-term employee benefits				Post - employment benefits	Other longterm employee benefits	Share-based payment		
2010	Salary & fees $	Bonus $	Non - monetary $	Other $	Super-annuation $	$	Options $	Total $	% of compensation linked to performance
Directors									
ALAN SENIOR	80,000	-	-	-	7,200	-	164,081	251,281	65%
GARY LETHRIDGE	275,000	75,000	-	-	31,500	-	144,004	525,504	27%
BRIAN DAWES	103,680	20,000	-	-	11,131	-	385,266	520,077	74%
PETER LANGWORTHY	270,000	50,000	-	-	28,800	-	770,532	1,119,332	69%
KAREN GADSBY	50,000	-	-	-	4,500	-	114,008	168,508	68%
Executives									
HARRY CORNELIUS	165,137	50,000	-	-	19,362	-	50,000	284,499	18%
DANIEL MADDEN	90,962	10,000	-	-	9,086	-	440,340	550,388	80%
	1,034,779	205,000	-	-	111,579	-	2,068,231	3,419,589	

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 25 March 2008	19-May-09	31-Dec-10	$ 0.32	30-Apr-09
2 Issued 21 May 2008	19-May-09	30-Nov-10	$ 0.34	on grant date
3 Issued 21 May 2008	19-May-09	30-Nov-10	$ 0.31	30-Nov-08
4 Issued 21 May 2008	19-May-09	30-Nov-10	$ 0.27	30-Nov-09
5 Issued 21 May 2008	19-May-09	30-Nov-10	$ 0.23	30-Sep-10
6 Issued 21 May 2008	19-May-09	31-May-11	$ 0.37	30-Nov-08
7 Issued 21 May 2008	19-May-09	31-May-11	$ 0.35	31-May-09
8 Issued 21 May 2008	19-May-09	31-May-11	$ 0.31	31-May-10
9 Issued 21 May 2008	19-May-09	31-May-11	$ 0.27	31-Mar-11
10 Issued 20 March 2009	20-Mar-10	31-Aug-11	$ 0.23	on grant date
11 Issued 20 March 2009	20-Mar-10	31-Aug-11	$ 0.23	30-Jun-09
12 Issued 20 March 2009	20-Mar-10	31-Aug-11	$ 0.23	31-Dec-09
13 Issued 23 July 2009	23-Jul-09	30-Jun-13	$ 0.23	on grant date
14 Issued 23 July 2009	23-Jul-09	30-Jun-13	$ 0.23	31-Dec-09
15 Issued 23 July 2009	23-Jul-09	30-Jun-13	$ 0.23	30-Jun-10
16 Issued 23 July 2009	23-Jul-09	30-Jun-13	$ 0.22	31-Dec-10
17 Issued 23 July 2009	23-Jul-09	30-Jun-13	$ 0.22	30-Jun-11
18 Issued 27 January 2010	23-Nov-09	30-Nov-13	$ 0.70	on grant date
19 Issued 27 January 2010	23-Nov-09	30-Nov-13	$ 0.70	30-Jun-10
20 Issued 27 January 2010	23-Nov-09	30-Nov-13	$ 0.69	31-Dec-10
21 Issued 27 January 2010	23-Nov-09	30-Nov-13	$ 0.67	30-Jun-11
22 Issued 27 January 2010	23-Nov-09	30-Nov-13	$ 0.66	31-Dec-11
23 Issued 27 January 2010	8-Jan-10	7-Jul-11	$ 0.50	30-Jun-10
24 Issued 14 December 2010	7-Dec-10	30-Nov-13	$ 0.62	on grant date
25 Issued 14 December 2010	7-Dec-10	30-Nov-13	$ 0.60	1-Dec-11
26 Issued 14 December 2010	7-Dec-10	30-Nov-13	$ 0.60	1-Jun-12
27 Issued 14 December 2010	7-Dec-10	30-Nov-13	$ 0.59	1-Dec-12

There are no performance criteria that need to be met in relation to options granted under series 1 to 27 before the beneficial interest vests in the recipient. However, key management personnel (other than Directors) receiving options under series 1 to 27 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.

DIRECTORS' REPORT (CONTINUED)

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

During the financial year						
Name	Options series (as per previous table)	No. granted	No. Vested and exercisable	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
ALAN SENIOR	24, 25, 26, 27	1,000,000	250,000	25%	N/A	79%

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 2011 are as follows:

Option series (as per previous table)				
Inputs into model	24	25	26	27
Exercise price	$ 1.27	$ 1.35	$ 1.44	$ 1.53
Grant date	7-Dec-10	7-Dec-10	7-Dec-10	7-Dec-10
Expiry date	30-Nov-13	30-Nov-13	30-Nov-13	30-Nov-13
Share price at grant	$ 0.86	$ 0.86	$ 0.86	$ 0.86
Expected volatility (%)	134%	134%	134%	134%
Risk-free interest rate (%)	4.87%	4.87%	4.87%	4.87%

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

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 exercised date $	Value of options lapsed at the date of lapse (ii) $	Total $
ALAN SENIOR	603,000	-	(225,200)	377,800
KAREN GADSBY	-	-	(648,350)	(648,350)

(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) The value of options lapsing during the period reflects the fair value determined at issue date.

(d) Key terms of employment contracts

Remuneration and other terms of employment for executive directors are formalised in a letter agreement. The Managing Director, Mr Gary Lethridge is employed on a three year contract (commencing 2 February 2009), with an election for a further period of two years. The Technical Director, Mr. Peter Langworthy is currently employed on a part-time, ongoing basis, with his contract reviewed annually. The notice periods for Executive Directors are three months and payment of a termination benefit on early termination by the Group (other than for gross misconduct) at the end of the notice period, is three months base salary. Where the Group elects to dispense with the notice period and terminate employment, six months base salary applies.

Key management personnel as at the date of this report are:

G. Cameron	General Manager Exploration (commenced 3 August 2011)
D. Madden	Chief Financial Officer and Company Secretary
P. Cash	Manager Corporate Development (commenced 18 July 2011)

Remuneration and other terms of employment for key management personnel are formalised by way of letter agreements which are ongoing. The notice period for key management personnel is three months and a termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to three months base salary. Remuneration for executive directors and key management personnel consists of a base salary, superannuation and performance incentives. Long term performance incentives may include options granted at the discretion of the Board subject to obtaining the relevant approvals. The remuneration of the Managing Director is recommended to the Board by the Remuneration Committee. Remuneration of other executive directors and key management personnel is recommended annually by the Remuneration Committee in consultation with the Managing Director.

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, 21 September 2011

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 2011, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Talisman Mining Limited.

Perth, Western Australia
21 September 2011

L DI GIALLONARDO
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4 130 Stirling Street Perth 6000 PO Box 8124 Perth BC 6849 Western Australia. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

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 ("the company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report 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. Those 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 control relevant to the company'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 company's internal control. 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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Talisman Mining Limited for the financial year ended 30 June 2011 included on Talisman Mining Limited's website. The company's directors are responsible for the integrity of the Talisman Mining Limited website. We

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards 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 in the directors' report for the year ended 30 June 2011. 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 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Giallonardo

Perth, Western Australia
21 September 2011

L DI GIALLONARDO
Partner

INDEX TO THE FINANCIAL REPORT

CONTENTS

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 consolidated entity 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 consolidated entity's financial position as at 30 June 2011 and performance for the year then ended.*

(c) *in the directors' opinion the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.*

(d) *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, 21 September 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	30-Jun-11 $	30-Jun-10 $
Continuing operations			
Other income	3	36,342,724	675,187
Employee benefits expense	4	(1,657,400)	(3,164,385)
Exploration expenditure expensed as incurred		(191,034)	(296,769)
Impairment of exploration expenditure	10	(20,619)	(3,319,635)
Occupancy expenses		(239,147)	(216,499)
Administrative expenses		(519,589)	(669,731)
Depreciation and amortisation expense		(106,776)	(54,554)
Impairment of available for sale financial assets	8	(2,130,000)	-
Finance costs		(9)	(773)
Profit/(Loss) before income tax expense		**31,478,150**	**(7,047,159)**
Income tax (expense)/benefit	5	(8,391,263)	152,773
Profit/(Loss) after tax from continuing operations		**23,086,887**	**(6,894,386)**
Net Profit/(Loss) for the period		**23,086,887**	**(6,894,386)**
Other comprehensive income/loss			
Net change in the fair value of available-for-sale financial assets		25,000	(15,000)
Other comprehensive income/(loss) for the period, net of tax		**25,000**	**(15,000)**
Total comprehensive income/(loss) for the period		**23,111,887**	**(6,909,386)**
Earnings/(Loss) per share:			
Basic earnings/(loss) per share (cents per share)	16	19.16	(7.09)
Diluted earnings per share (cents per share)	16	18.49	n/a

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	30-Jun-11 $	30-Jun-10 $
Assets			
Current Assets			
Cash and cash equivalents	6	43,438,770	13,661,782
Trade and other receivables	7	848,105	348,942
Total Current Assets		44,286,875	14,010,724
Non-Current Assets			
Receivables	7	82,184	79,526
Other financial assets	8	5,130,000	135,000
Property, plant and equipment	9	468,531	239,760
Deferred exploration and evaluation expenditure	10	11,476,323	9,059,569
Total Non-Current Assets		17,157,038	9,513,855
Total Assets		61,443,913	23,524,579
Liabilities			
Current Liabilities			
Trade and other payables	11	794,817	418,570
Borrowings	12	-	509
Employee benefits	13	110,712	50,867
Current tax liabilities	5	5,064,055	-
Total Current Liabilities		5,969,584	469,946
Non-Current Liabilities			
Deferred tax liabilities	5	3,360,452	-
Total Non-Current Liabilities		3,360,452	-
Total Liabilities		9,330,036	469,946
Net Assets		**52,113,877**	**23,054,633**
Equity			
Issued capital	14	36,958,098	31,464,410
Reserves	15	3,513,571	5,745,532
Retained earnings/(Accumulated losses)	15	11,642,208	(14,155,309)
Total Equity		**52,113,877**	**23,054,633**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital $	Retained Earnings/ (Accumulated Losses) $	Asset Revaluation Reserve $	Share-based Payments Reserve $	Option Premium Reserve $	Total Equity $
Balance at 1 July 2009	19,785,934	(7,260,923)	-	3,454,243	176,326	16,155,580
Loss for the period	-	(6,894,386)	-	-	-	(6,894,386)
Net change in fair value of available-for-sale financial assets	-	-	(15,000)	-	-	(15,000)
Total comprehensive loss for the period	-	(6,894,386)	(15,000)	-	-	(6,909,386)
Shares issued during the year	11,925,655	-	-	-	-	11,925,655
Share issue costs	(328,362)	-	-	-	-	(328,362)
Recognition of share-based payments	-	-	-	2,211,146	-	2,211,146
Transfer on exercise of options	81,183	-	-	(62,400)	(18,783)	-
Balance at 30 June 2010	31,464,410	(14,155,309)	(15,000)	5,602,989	157,543	23,054,633
Balance at 1 July 2010	31,464,410	(14,155,309)	(15,000)	5,602,989	157,543	23,054,633
Profit for the period	-	23,086,887	-	-	-	23,086,887
Net change in fair value of available-for-sale financial assets	-	-	25,000	-	-	25,000
Total comprehensive income for the period	-	23,086,887	25,000	-	-	23,111,887
Shares issued during the year	5,079,856	-	-	-	-	5,079,856
Recognition of share-based payments	-	-	-	867,501	-	867,501
Transfer on exercise of options	413,832	-	-	(256,289)	(157,543)	-
Unlisted Options Lapsing	-	2,710,630	-	(2,710,630)	-	-
Balance at 30 June 2011	36,958,098	11,642,208	10,000	3,503,571	-	52,113,887

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	30-Jun-11 $	30-Jun-10 $
Cash flows from operating activities		Inflows/(Outflows)	
Receipts from customers		37,000	-
Payments to suppliers and employees		(1,608,327)	(1,732,555)
Finance costs		(9)	(773)
Interest received		1,331,544	429,743
Research and development tax rebate received		33,244	152,773
Net cash used in operating activities	6	(206,548)	(1,150,812)
Cash flows from investing activities			
Proceeds from sale of mining tenements		34,250,000	-
Payments for property, plant and equipment		(335,547)	(175,388)
Payments for exploration and evaluation expenditure		(8,942,263)	(3,139,817)
Proceeds from joint venture agreement		-	50,000
Net cash provided by/(used in) investing activities		24,972,190	(3,265,205)
Cash flows from financing activities			
Proceeds from issue of shares		5,011,855	11,825,655
Payments for share issue costs		-	(331,362)
Payment of finance lease liabilities		(509)	(5,484)
Net cash provided by financing activities		5,011,346	11,488,809
Net increase in cash held		29,776,988	7,072,792
Cash and cash equivalents at the beginning of the period		13,661,782	6,588,990
Cash and cash equivalents at the end of the period	6	43,438,770	13,661,782

The accompanying notes form part of these financial statements.

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 operating in Australia.

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

Registered Office	**Principal place of business**
6 Centro Avenue	6 Centro Avenue
Subiaco	Subiaco
Western Australia 6008	Western Australia 6008

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for minerals, primarily base metals, copper-gold and gold.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report was authorised for issue on 21st September 2011.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Talisman Mining Limited and its subsidiaries. The financial report has been prepared on a consolidated basis for the year ending 30 June 2011. Comparative information for the previous financial year relates to the parent entity only, as the consolidated entity did not exist during that period.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are the exploration for minerals, primarily base metals, copper-gold and gold.

Basis of consolidation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Talisman Mining Limited and its subsidiaries. The financial report has been prepared on a consolidated basis for the year ending 30 June 2011. Comparative information for the previous financial year relates to the parent entity only, as the consolidated entity did not exist during that period.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are the exploration for minerals, primarily base metals, copper-gold and gold.

Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgments, 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 experience 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 are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group 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 and Scholes model, using the assumptions detailed in Note 19.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and, if applicable, "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimated future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Talisman Mining Limited.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review 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 Group accounting policies.

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

a. Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above

b. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date, they are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

c. Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any other category. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

d. Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Loans and receivables

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

e. Impairment of assets

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

f. Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered..

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.
Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation
Talisman Mining Limited and its 100% owned Australian resident subsidiaries are intending to implement the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

Talisman Mining Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

g. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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 balance 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) 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 carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

i. Joint ventures

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

j. Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

k. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	4-25 years
Motor vehicle	8-10 years
Leasehold improvements	10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

m. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.
When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

n. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

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

(ii) Profits from sale of exploration interests

Profits from the sale of exploration interests are recognised at the fair value of the consideration received or receivable, less the carrying value of the exploration interests sold.

o. Share-based payment transactions

(i) Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured 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 and Scholes model, further details of which are given in Note 19.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Talisman Mining Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 16).

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.

p. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

q. Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

r. Parent entity financial information

The financial information for the parent entity, Talisman Mining Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiary entities are accounted for at cost in the financial statements of Talisman Mining Limited.

3. OTHER INCOME

	30-Jun-11 $	30-Jun-10 $
Bank interest receivable	1,479,610	475,187
Profit from sale of Wonmunna and Uaroo iron ore projects	34,826,114	-
Other income	37,000	200,000
	36,342,724	675,187

During the year, the Group sold the Wonmunna and Uaroo iron ore projects to ASX-listed Rico Resources Limited for a total of $41.35 million, being $34.25 million cash and 35.5 million shares in the post re-constructed Rico Resources Limited. The sale agreement also included a 1% gross revenue royalty. Settlement was completed on 17 February 2011. The carrying value of the asset at the date of disposal was $6.5 million.

4. EXPENSES

	30-Jun-11 $	30-Jun-10 $
Profit/(loss) for the year includes the following expenses:		
Share based payment expense	867,501	2,211,146
Operating lease rental expense	219,935	216,499

5. INCOME TAX

	30-Jun-11 $	30-Jun-10 $
Income tax recognised in profit or loss		
The major components of tax expense are:		
Current tax expense/(benefit)	8,391,263	(152,773)
Total tax expense/(income)	8,391,263	(152,773)
Attributable to: Continuing operations	8,391,263	(152,773)

	30-Jun-11 $	30-Jun-10 $
The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Accounting profit/(loss) before income tax	31,478,150	(7,047,159)
Income tax expense (benefit) calculated at 30%	9,443,444	(2,114,148)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share-based payments	260,250	663,344
Impairment expense	639,000	995,891
Other	(18,667)	(1,210)
Effect of tax concessions (R&D benefit)	(33,244)	(152,773)
Movement in current year temporary differences	(781,437)	-
Effect of unused losses not recognised as deferred tax assets	-	456,123
Previously unused losses now recouped to reduce current tax expense	(4,478,535)	-
Tax effect of previously unrecognised deferred tax liabilities	3,360,452	-
Income tax expense/(benefit) reported in the statement of comprehensive income	8,391,263	(152,773)

	30-Jun-11 $	30-Jun-10 $
Current tax liabilities comprise:		
Income tax expense/(benefit) reported in the statement of comprehensive income	8,391,263	(152,773)
Tax effect of previously unrecognised deferred tax liabilities	(3,360,452)	-
Plus R&D concessions received	33,244	152,773
Income tax payable by/(attributable to) the Group	5,064,055	-

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.

The deductible temporary differences and tax losses do not expire under current tax legislation. In the previous financial year, deferred tax assets had not been recognised in respect of these items because it was not probable that future taxable profit would be available against which the Group could utilise the benefits thereof.

	30-Jun-11 $	30-Jun-10 $
Deferred tax liabilities		
Temporary differences arising from exploration	3,442,897	-
Deductible temporary differences	(82,445)	-
	3,360,452	-

	30-Jun-11 $	30-Jun-10 $
Unrecognised deferred tax assets and liabilities		
Deferred tax assets (liabilities) have not been recognised in respect of the following items:		
Temporary differences arising from exploration	-	(2,848,852)
Deductible temporary differences	-	183,157
Tax losses	-	5,041,290
	-	2,375,595

	30-Jun-11 $	30-Jun-10 $
Income tax expense not recognised in equity		
Share issue costs	492,639	492,639

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. CASH AND CASH EQUIVALENTS

a) Reconciliation of cash and cash equivalents

	30-Jun-11 $	30-Jun-10 $
Cash at bank and on hand	1,062,150	597,455
Short-term deposits	42,376,620	13,064,327
	43,438,770	13,661,782

(b) Non-cash financing and investing activities

	30-Jun-11 $	30-Jun-10 $
Available for sale investment acquired as part consideration from sale of Wonmunna and Uaroo iron ore projects	7,100,000	-
Available for sale investment acquired as part of farm out	-	150,000

Refer to Note 8 for details on available-for-sale investments.

c) Reconciliation of profit/(loss) for the year to net cash flow from operating activities

	30-Jun-11 $	30-Jun-10 $
Profit/(loss) for the year after tax	23,086,887	(6,894,386)
Profit on sale of mining tenements	(34,826,114)	-
Impairment of available-for-sale financial assets	2,130,000	-
Shares acquired as part of joint venture agreement	-	(150,000)
Depreciation	106,776	54,554
Exploration expenditure expensed as incurred	210,246	296,769
Impairment of exploration	20,619	3,319,635
Equity settled share-based payments	867,501	2,211,146
Changes in net assets and liabilties		
(Increase)/decrease in assets		
Trade and other receivables	(121,645)	(210,344)
Increase/(decrease) in liabilities		
Trade and other payables	(165,201)	211,440
Provisions	59,876	10,374
Tax provisions	5,064,055	-
Deferred tax liability	3,360,452	-
Net cash used in operating activities	(206,548)	(1,150,812)

7. TRADE AND OTHER RECEIVABLES

	30-Jun-11 $	30-Jun-10 $
Current		
Goods and services tax recoverable	364,219	138,534
Other debtors	155,366	847
Other debtors -security bonds	90,442	85,600
Prepayments and accrued income	238,078	123,961
	848,105	348,942
Non Current		
Other debtors - security bonds	82,184	79,526

8. OTHER FINANCIAL ASSETS

	30-Jun-11 $	30-Jun-10 $
Non Current		
Available-for-sale listed investments carried at fair value	5,130,000	135,000

Available for sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The carrying amount of financial assets recorded in the financial statements represents their net fair values, determined in accordance with the accounting policies disclosed in note 2.

On 17 February 2011 the Group received 35.5 million ordinary fully paid shares in ASX-listed Rico Resources Limited, as part consideration for the sale of the Group's Wonmunna and Uaroo iron ore projects. The escrow period is 12 months from the date of issue.

At year end, an assessment of the fair value of all available-for-sale investments resulted in an impairment loss of $2,130,000 being recognised in the statement of comprehensive income in the line item "Impairment of available-for-sale financial assets". The Group's assessment of the fair value was made in accordance with AASB 139 and was based on the decline in the share price of the investment as quoted by the Australian Securities Exchange, from the date of initial recognition until reporting date.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment $	Leasehold Improvements $	Motor vehicles $	Total $
Year ended 30 June 2011				
At 1 July 2010, net of accumulated depreciation	163,659	-	76,101	239,760
Additions	255,757	44,920	34,870	335,547
Depreciation charge for the year	(91,260)	(1,700)	(13,816)	(106,776)
	328,156	43,220	97,155	468,531
Year ended 30 June 2010				
At 1 July 2009, net of accumulated depreciation	86,721	-	32,205	118,926
Additions	127,559	-	47,829	175,388
Depreciation charge for the year	(50,621)	-	(3,933)	(54,554)
	163,659	-	76,101	239,760
At 30 June 2011				
Cost or fair value	558,402	44,920	144,215	747,537
Accumulated depreciation	(230,246)	(1,700)	(47,060)	(279,006)
Net carrying amount	328,156	43,220	97,155	468,531
At 30 June 2010				
Cost or fair value	302,645	-	109,345	411,990
Accumulated depreciation	(138,986)	-	(33,244)	(172,230)
Net carrying amount	163,659	-	76,101	239,760

The carrying value of plant and equipment held under finance lease and hire purchase contracts as at 30 June 2011 is nil (2010: $30,269).

10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30-Jun-11 $	30-Jun-10 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	9,059,569	9,333,730
Carrying value of tenements sold (i)	(6,523,886)	-
Expenditure incurred	8,894,961	3,045,474
Acquisition of projects (ii)	66,298	-
	11,496,942	12,379,204
Expenditure written off	(20,619)	(3,319,635)
	11,476,323	9,059,569

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

(i) The carrying value of tenements sold represents the value previously recognised as exploration assets in the Group's statement of financial position, in accordance with AASB 6, for the Wonmunna and Uaroo Projects sold in February 2011.

(ii) The Group acquired an 80% interest in the Muddawerrie and Livingstone Gold Projects on 27 June 2011.

11. TRADE AND OTHER PAYABLES

	30-Jun-11 $	30-Jun-10 $
Current		
Trade payables	692,553	195,004
Accruals	7,099	-
Other payables	95,165	223,566
	794,817	418,570

Trade payables are non-interest bearing and are normally settled on 30 day terms.

12. BORROWINGS

	30-Jun-11 $	30-Jun-10 $
Current		
Lease liabilities	-	509

Refer to Note 17 for details of lease liabilities.

13. EMPLOYEE BENEFITS

	30-Jun-11 $	30-Jun-10 $
Current		
Employee benefits	110,712	50,867

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. ISSUED CAPITAL

	30-Jun-11 $	30-Jun-10 $
Ordinary shares		
Issued and fully paid	36,958,098	31,464,410

	30-Jun-11		30-Jun-10	
	No.	$	No.	$
Movements in ordinary shares on issue				
At 1 July	105,823,858	31,464,410	86,782,503	19,785,934
Share placement at 30 cents	-	-	6,219,997	1,865,999
Share placement at 90 cents	-	-	10,572,227	9,515,004
Exercise of listed options at 20 cents	22,836,769	4,567,354	1,703,261	340,652
Exercise of unlisted options at 25 cents	1,778,000	444,500	416,000	104,000
Shares issued to acquire exploration tenements	100,000	68,000	129,870	100,000
Share issue costs	-	-	-	(328,362)
Transfer from share based payment reserve	-	256,291	-	62,400
Transfer from option premium reserve	-	157,543	-	18,783
At 30 June	130,538,627	36,958,098	105,823,858	31,464,410

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

	30-Jun-11	
	No.	$
Movements in options over ordinary shares on issue		
At 1 July 2010	44,604,996	5,760,532
Directors' remuneration	1,000,000	596,599
Employees' remuneration	100,000	270,902
Transfer on exercise of listed options	(22,836,769)	(157,543)
Listed Options Lapsing	(112,227)	-
Transfer on exercise of unlisted options	(1,778,000)	(256,289)
Unlisted Options Lapsing	(8,428,000)	(2,710,630)
At 30 June 2011	12,550,000	3,503,571

Share options are exercisable on a 1:1 basis at various exercise prices. The options expire between 07/07/2011 and 14/04/14. Further details of options granted to directors and employees are contained in note 19 to the financial statements.

15. RETAINED EARNINGS AND RESERVES

	30-Jun-11 $	30-Jun-10 $
Retained Earnings (Accumulated losses)		
Balance at beginning financial year	(14,155,309)	(7,260,923)
Net gain/(loss) for the year	23,086,887	(6,894,386)
Transfer on expiry of unexercised options	2,710,630	-
Balance at end of financial year	11,642,209	(14,155,309)

	30-Jun-11 $	30-Jun-10 $
Reserves		
Asset revaluation reserve	10,000	(15,000)
Share based payment reserve	3,503,571	5,602,989
Option premium reserve	-	157,543
Balance at end of financial year	3,513,571	5,745,532

Asset revaluation reserve

The asset revaluation reserve is used to record temporary fluctuations between the market value of available for sale investments and the acquisition price.

Share based payment reserve

The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 19 for further details.

Option premium reserve

The option premium reserve records the proceeds received on the issue of share options by the Company. It is represented by a nil balance as all listed options had expired at balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. EARNINGS PER SHARE

Basic earnings per share

	30-Jun-11 cents per share	30-Jun-10 cents per share
Basic earnings/(loss) per share	19.16	(7.09)

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

	$	$
Net profit/(loss) for the period	23,086,887	(6,894,386)
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	120,492,075	97,257,829

Diluted earnings per share

	30-Jun-11 cents per share	30-Jun-10 cents per share
Diluted earnings per share	18.49	n/a

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share is as follows:

	$	$
Net profit/(loss) for the period	23,086,887	(6,894,386)
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share (i)	124,831,941	n/a

Note: Diluted loss per share was not calculated for the year ended 30 June 2010 as the company was in a loss making situation which did not increase the loss per share.

(i) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares issued in the calculation of basic earnings per share as follows:

	30-Jun-11 No.	30-Jun-10 No.
Weighted average number of shares used in the calculation of basic earnings per share	120,492,075	n/a
Shares deemed to be issued for no consideration	4,339,865	n/a
	124,831,941	n/a

(ii) The following potential ordinary shares are not dilutive and therefore excluded from the calculation in (i) above:

	No.	No.
Share Options	7,701,369	n/a

17. COMMITMENTS FOR EXPENDITURE

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 as follows:

	30-Jun-11 $	30-Jun-10 $
Exploration expenditure		
Within one year	1,148,858	776,000
After one year but not more than five years	3,253,485	1,502,800
Greater than five years	4,515	-
	4,406,858	2,278,800

If the Group decides to relinquish certain exploration leases and/or does not meet these obligations, assets recognised in the statement of financial position 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.

Finance Leases
Finance leases related to equipment with lease terms of 3 years.

	30-Jun-11 $	30-Jun-10 $
Finance lease liabilities		
Within one year	-	518
After one year but not more than five years	-	-
Greater than five years	-	-
	-	518
Minimum future lease payments	-	518
Less future finance charges	-	(9)
Present value of minimum lease payments	-	509

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

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

	30-Jun-11 $	30-Jun-10 $
Non-cancellable operating lease commitments		
Within one year	239,355	199,283
After one year but not more than five years	44,746	209,096
Greater than five years	-	-
	284,100	408,379

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS

(a) Introduction

The Group 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 Group'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 Group, 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 Group„s activities. The Group's aim is to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Categories of financial instruments

	30-Jun-11 $	30-Jun-10 $
Financial assets		
Receivables	930,289	428,468
Cash and cash equivalents	43,438,770	13,661,782
Available-for-sale investments	5,130,000	135,000
	49,499,059	14,225,250
Financial liabilities		
Trade and other payables	794,817	418,570
Borrowings	-	509
Other financial liabilities	110,712	50,867
	905,529	469,946

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.

During the year, an assessment of the fair value of available-for-sale investments resulted in an impairment loss of $2,130,000 recognised in the statement of comprehensive income in the line item "Impairment of available-for-sale financial assets". The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair value.

(c) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group'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 Group measures credit risk on a fair value basis.
The Group 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.

(d) Liquidity Risk Management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group'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 Group's short, medium and long-term funding and liquidity management requirements.

The Group 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.

Liquidity and interest risk table
The following tables detail the Group'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 Group 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 Group can be required to pay, including both interest and principal cash flows.

2011	Less than 1 month $	1-3 months $	3 months to 1 Year $	1-5 years $	5 plus years $	No fixed term $	Total $
Financial Assets							
Non-interest bearing	364,491	-	-	-	-	-	364,491
Variable interest rate	1,061,877	-	-	-	-	-	1,061,877
Fixed interest rate	706,245	42,189,765	123,751	119,301	-	-	43,139,062
	2,132,613	42,189,765	123,751	119,301	-	-	44,565,430
Financial Liabilities							
Non-interest bearing	794,817	-	110,712	-	-	-	905,529
Fixed interest rate	-	-	-	-	-	-	-
	794,817	-	110,712	-	-	-	905,529

2010	Less than 1 month $	1-3 months $	3 months to 1 Year $	1-5 years $	5 plus years $	No fixed term $	Total $
Financial Assets							
Non-interest bearing	139,758	-	-	-	-	-	139,758
Variable interest rate	596,532	-	-	-	-	-	596,532
Fixed interest rate	4,582,986	8,756,528	-	57,526	-	-	13,397,040
	5,319,276	8,756,528	-	57,526	-	-	14,133,330
Financial Liabilities							
Non-interest bearing	352,392	66,179	50,867	-	-	-	469,438
Fixed interest rate	518	-	-	-	-	-	518
	352,910	66,179	50,867	-	-	-	469,956

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(e) Interest rate risk

The Group is not exposed to interest rate risk as it has not borrowed funds at fixed/variable interest rates.

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

Interest rate sensitivity analysis

The sensitivity analysis of the Group'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 Group's net profit would have increased by $217,192 (2010 loss decreased $5,442).

(f) Capital risk 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 Group consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Group's policy is to use capital market issues to meet the funding requirements of the Group.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

(g) Fair value of financial instruments

AASB 7 Financial Instruments: Disclosures which require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets	5,130,000	-	-	5,130,000
2010				
Assets				
Available-for-sale financial assets	135,000	-	-	135,000

19. SHARE BASED PAYMENTS

Employee Share Options

The Group has an Employee Share Option Plan ("ESOP") for executives and employees of the Group. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Share based payment arrangements in existence during the period

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

Option Series	Number	Grant date	Expiry date	Exercise price $	Fair Value at grant date $
1	1,750,000	22/11/06	31/12/10	0.25	0.110
2	472,000	11/4/07	31/12/10	0.25	0.082
3	7,832,250	3/9/07	31/12/10	0.20	0.060
4	1,000,000	15/2/08	31/12/10	1.20	0.466
5	400,000	19/5/08	31/12/10	1.20	0.317
6	1,500,000	19/5/08	30/11/10	1.00	0.336
7	1,500,000	19/5/08	30/11/10	1.20	0.310
8	1,500,000	19/5/08	30/11/10	1.60	0.269
9	1,500,000	19/5/08	30/11/10	2.20	0.225
10	500,000	19/5/08	31/5/11	1.00	0.372
11	500,000	19/5/08	31/5/11	1.20	0.348
12	500,000	19/5/08	31/5/11	1.60	0.310
13	500,000	19/5/08	31/5/11	2.20	0.268
14	2,000,000	17/5/09	31/8/11	0.22	0.226
15	1,000,000	17/5/09	31/8/11	0.22	0.226
16	1,000,000	17/5/09	31/8/11	0.22	0.226
17	750,000	23/7/09	30/6/13	0.50	0.234
18	1,500,000	23/7/09	30/6/13	0.50	0.234
19	1,500,000	23/7/09	30/6/13	0.60	0.225
20	1,500,000	23/7/09	30/6/13	0.70	0.218
21	750,000	23/7/09	30/6/13	0.70	0.218
22	200,000	23/11/09	30/11/13	1.00	0.695
23	200,000	23/11/09	30/11/13	1.00	0.695
24	200,000	23/11/09	30/11/13	1.10	0.685
25	200,000	23/11/09	30/11/13	1.20	0.670
26	200,000	23/11/09	30/11/13	1.30	0.660
27	50,000	7/12/09	30/6/13	0.95	0.560
28	50,000	7/12/09	30/6/13	0.95	0.560
29	50,000	7/12/09	30/6/13	0.95	0.560
30	50,000	7/12/09	30/6/13	0.95	0.560
31	212,500	8/1/10	7/7/11	1.36	0.500
32	25,000	27/4/10	26/10/11	1.14	0.400
33	25,000	27/4/10	26/4/13	1.32	0.560
34	250,000	7/12/10	30/11/13	1.27	0.620
35	250,000	7/12/10	30/11/13	1.35	0.600
36	250,000	7/12/10	30/11/13	1.44	0.600
37	250,000	7/12/10	30/11/13	1.53	0.592
38	50,000	14/3/11	14/9/12	1.03	0.420
39	50,000	14/3/11	14/4/14	1.19	0.540

Vesting dates of option series

1, 2, 3, 4, 6, 14, 17, 22, 27 and 34:	Options vested at date of issue (series 1,2,4,6 expired during the financial year).
5:	Options vest 30 April 2009 (expired during financial year).
7 and 10:	Options vest 30 November 2008 (expired during financial year).
8:	Options vest 30 November 2009 (expired during financial year).
9:	Options vest 30 September 2010 (expired during financial year).
11:	Options vest 31 May 2009 (expired during financial year).
12:	Options vest 31 May 2010 (expired during financial year).
13:	Options vest 31 March 2011 (expired during financial year).
15:	Options vest 30 June 2009
16 and 18:	Options vest 31 December 2009
19, 23, 28, 31 and 32:	Options vest 30 June 2011
26:	Options vest 31 December 2011
20, 24 and 29:	Options vest 31 December 2010
21, 25, 30 and 33:	Options vest 30 June 2011
35:	Options vest 1 December 2011
36:	Options vest 1 June 2012
37:	Options vest 1 December 2012
38:	Options vest 31 August 2011
39:	Options vest 31 August 2012

The fair value of the share options granted during the financial year is $651,000 (2010: $2,277,810). 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.

The following table lists the inputs to the model:

	Option series					
Inputs into model	34	35	36	37	38	39
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	134%	134%	134%	134%	140%	140%
Risk-free interest rate (%)	4.87%	4.87%	4.87%	4.87%	4.96%	4.96%
Expected life of option (yrs)	2.98	2.98	2.98	2.98	1.51	3.09
Exercise price	$1.27	$1.35	$1.44	$1.53	$1.03	$1.19
Grant date share price	$0.86	$0.86	$0.86	$0.86	$0.76	$0.76

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

	30-Jun-11		30-Jun-10	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	29,488,250	0.68	22,454,250	0.81
Granted during the year	1,100,000	1.37	7,462,500	0.70
Exercised during the year	(9,610,250)	0.21	(416,000)	0.25
Expired during the year	(8,428,000)	1.40	(12,500)	1.36
Outstanding at the end of the year	12,550,000	0.61	29,488,250	0.68
Exercisable at end of the financial year	11,500,000	0.54	26,513,250	0.66

The weighted average fair value of options granted during the year was $0.59.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Exercised during the financial year

The following options were exercised during the year:

(i) 1,778,000 options exercised from series 1 and 2 were exercised on 5 July 2010, 1 December 2010 and 2 December 2010 for an exercise price of $0.25 per share. The shares price at exercise dates were $0.58, $0.86 and $0.89 respectively.

(ii) 7,832,250 options exercised from series 3 at varying dates between 1 July 2010 and 31 December 2010 for an exercise price of $0.20 per share. The share price during this time ranged from $0.43 and $1.23.

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 1.45 years (2010 1.24 years). The range of exercises prices for options outstanding at the end of the year was $0.22 - $1.53 (2010: $0.20 - $2.20).

20. DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

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

Directors

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Brian Dawes	Executive Director (Non-Executive Director from 1 July 2011)
Peter Langworthy	Technical Director
Karen Gadsby	Non-Executive Director
Executives	
Daniel Madden	Chief Financial Officer and Company Secretary
Harry Cornelius	Chief Geologist

Key management personnel compensation is disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited.

Shareholdings of Key Management Personnel

2011	Opening bal at 1 July No.	Balance at date appointment No.	Shares received on exercise of options No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.
Directors						
ALAN SENIOR	116,666	N/A	-	-	N/A	116,666
GARY LETHRIDGE	666,667	N/A	-	-	N/A	666,667
BRIAN DAWES	353,333	N/A	-	-	N/A	353,333
PETER LANGWORTHY	666,667	N/A	-	-	N/A	666,667
KAREN GADSBY	311,334	N/A	-	-	N/A	311,334
Executives						
HARRY CORNELIUS	16,000	N/A	428,000	(38,359)	N/A	405,641
DANIEL MADDEN	-	-	-	-	N/A	-
Total	2,130,667	-	428,000	(38,359)	-	2,520,308

Shareholdings of Key Management Personnel (continued)

2010	Opening bal at 1 July No.	Balance at date appointment No.	Shares received on exercise of options No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.
Directors						
ALAN SENIOR	50,000	N/A	-	66,666	N/A	116,666
GARY LETHRIDGE	-	N/A	-	666,667	N/A	666,667
BRIAN DAWES	20,000	N/A	-	333,333	N/A	353,333
PETER LANGWORTHY	-	N/A	-	666,667	N/A	666,667
KAREN GADSBY	78,000	N/A	-	233,334	N/A	311,334
Executives						
HARRY CORNELIUS	26,000	N/A	16,000	(26,000)	N/A	16,000
DANIEL MADDEN	-	-	-	-	N/A	-
Total	174,000	-	16,000	1,940,667	-	2,130,667

Option holdings of Key Management Personnel

2011	Opening bal at 1 July No.	Granted as remuneration No	Options 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 as at 30 June No.
Directors									
ALAN SENIOR	4,000,000	1,000,000	-	(4,000,000)	N/A	1,000,000	-	250,000	250,000
GARY LETHRIDGE	4,000,000	-	-	-	N/A	4,000,000	-	-	4,000,000
BRIAN DAWES	2,000,000	-	-	-	N/A	2,000,000	-	750,000	2,000,000
PETER LANGWORTHY	4,000,000	-	-	-	N/A	4,000,000	-	1,500,000	4,000,000
KAREN GADSBY	2,000,000	-	-	(2,000,000)	N/A	-	-	-	-
Executives									
HARRY CORNELIUS	858,000	-	(428,000)	(330,000)	N/A	100,000	-	-	100,000
DANIEL MADDEN	1,000,000	-	-	-	N/A	1,000,000	-	400,000	800,000
Total	17,858,000	1,000,000	(428,000)	(6,300,000)	-	12,100,000	-	2,900,000	11,150,000

2010	Opening bal at 1 July No.	Granted as remuneration No	Options 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 as at 30 June No.
Directors									
ALAN SENIOR	4,000,000	-	-	-	N/A	4,000,000	-	1,000,000	3,000,000
GARY LETHRIDGE	4,000,000	-	-	-	N/A	4,000,000	-	1,000,000	4,000,000
BRIAN DAWES	-	2,000,000	-	-	N/A	2,000,000	-	1,250,000	1,250,000
PETER LANGWORTHY	-	4,000,000	-	-	N/A	4,000,000	-	2,500,000	2,500,000
KAREN GADSBY	2,000,000	-	-	-	N/A	2,000,000	-	500,000	1,500,000
						-			
Executives						-			
HARRY CORNELIUS	774,000	100,000	(16,000)	-	N/A	858,000	-	100,000	844,000
DANIEL MADDEN	-	1,000,000	-	-	N/A	1,000,000	-	400,000	400,000
Total	10,774,000	7,100,000	(16,000)	-	-	17,858,000	-	6,750,000	13,494,000

Further details of the employee share option plan and of share options granted during the 2011 and 2010 financial years are contained in note 19 of the financial statements.

Other transactions with Key Management Personnel

There were no other transactions with key management personnel of the Group during the 2011 and 2010 financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. SEGMENT REPORTING

The Group 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 Group reports within one segment.

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors there are no contingent liabilities or assets as at 30 June 2011 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this financial report.

23. PARENT ENTITY DISCLOSURES

Disclosures as at 30 June 2011 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below. This disclosure does not apply to the previous financial year as the consolidated entity did not exist during that period.

Financial Position

	30-Jun-11 $
Assets	
Current Assets	44,285,164
Non-current assets	17,220,862
Total Assets	61,506,025
Liabilities	
Current Liabilities	9,330,024
Total Liabilities	9,330,024
Equity	
Issued Capital	36,958,098
Reserves	
Asset revaluation reserve	10,000
Share based payment reserve	3,503,571
Retained Earnings	11,704,332
Total equity	52,176,001

Financial Performance

	Year ended 30-Jun-11 $
Profit for the year	23,024,775
Other comprehensive Income	25,000
Total comprehensive income	23,049,775

Commitments for expenditure by the parent entity

	30-Jun-11 $
Exploration expenditure	
Within one year	676,858
After one year but not more than five years	1,440,167
Greater than five years	1,512
	2,118,537

24. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Talisman Mining Limited and the subsidiaries listed in the following table:

		% Equity Interest		Investment $	
Name	Country of Incorporation	2011	2010	2011	2010
Talisman A Pty Ltd	Australia	100	-	10	-
Haverford Holdings Pty Ltd	Australia	100	-	68,000	-

Talisman Mining Pty Ltd is the ultimate parent entity and ultimate parent of the Group.

25. REMUNERATION OF AUDITORS

The auditor of Talisman Mining Limited is HLB Mann Judd.

	30-Jun-11 $	30-Jun-10 $
Audit or review of the financial report	25,815	25,200

26. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

As at 15 September 2011

1. NUMBER OF HOLDERS OF EQUITY SECURITIES

(a) Distribution of holders of equity securities

Range	Fully paid ordinary shares	Number of holders
1 to 1,000	121,719	192
1,001 to 5,000	2,269,922	714
5,001 to 10,000	4,040,032	467
10,001 to 100,000	29,401,568	858
100,001 and Over	95,705,386	168

(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 parcel of shares

The number of shareholders holding less than a marketable parcel is 59,719 given a share value of $0.50 cents per share.

(d) Substantial Shareholdings

	Fully paid ordinary shares	
Ordinary shareholders	Number	%
Mr Kerry Harmanis	16,913,452	12.96

2. COMPANY SECRETARY

The name of the company secretary is Daniel Madden.

3. REGISTERED OFFICE AND PRINCIPAL ADMINISTRATIVE OFFICE

Registered and principal administrative office
Ground Level, 6 Centro Avenue
Subiaco Western Australia 6008
Telephone +61 8 9380 4230

Registered securities are held at the following address
Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth Western Australia 6000
Telephone 1300 554 474

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.

6. TWENTY LARGEST HOLDERS OF ORDINARY SHARES

Ordinary Shareholders			
Rank	Name	Number	%
1	UBS Wealth Management Australia Nominees Pty Ltd	11,241,192	8.55%
2	Tyche Holdings Pty Ltd	6,400,001	4.87%
3	Equity Trustees Limited	6,350,000	4.83%
4	Steven James Elliot	3,900,000	2.96%
5	Tyche Holdings Pty Ltd	3,510,000	2.67%
6	Redcode Pty Ltd	3,275,000	2.49%
7	HSBC Custody Nominees (Australia) Limited	3,012,182	2.29%
8	NK WA Pty Ltd	2,940,000	2.24%
9	Hawera Pty Ltd	2,383,333	1.81%
10	Frollo Enterprises Limited	2,000,000	1.52%
11	Arcaro Holdings Pty Ltd	1,530,001	1.16%
12	Colbern Fiduciary Nominees Pty Ltd	1,519,340	1.16%
13	Harman Nominees Pty Ltd	1,458,000	1.11%
14	Graham Geoffrey Walker & Thelma Jean Walker	1,303,334	0.99%
15	Citicorp Nominees Pty Limited	1,292,917	0.97%
16	Paul Rozier Oost & Janine Lee Oost	1,200,000	0.91%
17	Bitutti Pty Ltd	1,100,000	0.84%
18	Harman Nominees Pty Ltd	1,061,111	0.81%
19	Jasmine Kailis	1,004,432	0.76%
20	Gary Lethridge	1,000,000	0.76%
20	Fats Pty Ltd	1,000,000	0.76%

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

As at 15 September 2011

7. UNQUOTED EQUITY SECURITIES

Class	Exercise Price	Expiry date	Unlisted Options	
			Number	Number of Holders
1 Unlisted Options	$0.50	30-Jun-13	2,250,000	2
2 Unlisted Options	$0.60	30-Jun-13	1,500,000	2
3 Unlisted Options	$0.70	30-Jun-13	2,250,000	2
4 Unlisted Options	$1.00	30-Nov-13	400,000	1
5 Unlisted Options	$1.10	30-Nov-13	200,000	1
6 Unlisted Options	$1.20	30-Nov-13	200,000	1
7 Unlisted Options	$1.30	30-Nov-13	200,000	1
8 Unlisted Options	$0.95	30-Jun-13	200,000	1
9 Unlisted Options	$1.14	27-Oct-11	25,000	1
10 Unlisted Options	$1.32	27-Apr-13	25,000	1
11 Unlisted Options	$1.27	30-Nov-13	250,000	1
12 Unlisted Options	$1.35	30-Nov-13	250,000	1
13 Unlisted Options	$1.44	30-Nov-13	250,000	1
14 Unlisted Options	$1.53	30-Nov-13	250,000	1
15 Unlisted Options	$1.03	14-Sep-12	50,000	1
16 Unlisted Options	$1.19	14-Mar-14	50,000	1
17 Unlisted Options	$0.90	31-Jul-14	125,000	1
18 Unlisted Options	$0.97	31-Jul-14	125,000	1
19 Unlisted Options	$1.03	31-Jul-14	125,000	1
20 Unlisted Options	$1.09	31-Jul-14	125,000	1
21 Unlisted Options	$0.69	31-Dec-14	475,000	4
22 Unlisted Options	$0.73	31-Dec-14	500,000	4
23 Unlisted Options	$0.78	31-Dec-14	550,000	5
24 Unlisted Options	$0.83	31-Dec-14	400,000	2
25 Unlisted Options	$0.85	31-Dec-14	400,000	2

All options have no voting rights

8. ON-MARKET BUY BACK

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

9. RESTRICTED SECURITIES

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

TALISMAN MINING LTD

Ground Level
6 Centro Avenue Subiaco
Western Australia 6008
Telephone + 61 8 9380 4230
Facsimilie +61 8 9382 8200
www.talismanmining.com.au