



Talisman Mining Limited

ABN 71 079 536 495

**Financial report for the half-year ended
31 December 2011**

Corporate Directory

Board of Directors

Mr Alan Senior

Mr Gary Lethridge

Mr Graeme Cameron

Mr Brian Dawes

Ms Karen Gadsby

Non-Executive Chairman

Managing Director

Technical Director

Non-Executive Director

Non-Executive Director

Company Secretary

Mr Daniel Madden (ACA)

Registered & Principal Office

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Auditor

HLB Mann Judd

Level 4, 130 Stirling Street

Perth Western Australia 6000

Share Registry

Link Market Services Limited

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

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Directors' report

The directors of Talisman Mining Limited (the Company) submit the financial report of the consolidated entity (referred to hereafter as the Group) for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Graeme Cameron	Technical Director (appointed 17 November 2011)
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director
Peter Langworthy	Technical Director (resigned 9 November 2011)

Review of Operations

During the half-year period, the Group continued mineral exploration activities across its portfolio of projects with a focus on the Springfield Copper-Gold Project.

Springfield Copper-Gold Project

Drilling activities undertaken at the Springfield Project during the half year included programs of Aircore, Reverse Circulation and Diamond drilling of a primarily reconnaissance nature. Other significant exploration activities undertaken included down-hole electromagnetic surveys associated with drilling and moving loop electromagnetic surveys.

Towards the end of the half year the Group commenced a comprehensive review of the Springfield project utilising all available datasets in conjunction with the development of a 3D litho-structural model. The aim of the review was to develop a focused targeting strategy to identify targeted drilling programs to be undertaken during the second half of the financial year ending 30 June 2012.

Livingstone and Muddawerrie Gold Projects

The Group commenced exploration activities during the half year at the Livingstone and Muddawerrie Gold Projects following their acquisition in June 2011.

Initial exploration activities at the Livingstone Project focused primarily on a two-hole diamond drilling program. Results of exploration activities undertaken to date support the Group's view that the project straddles a prospective gold-bearing fault structure warranting further drilling and exploration activities which are planned for the second half of the financial year ending 30 June 2012.

At the Muddawerrie project a reverse circulation drilling program was undertaken with results to date providing encouragement for follow up exploration activities in the future.

Shelby Project (Iron-Oxide-Copper-Gold)

During the half-year the Group completed a 2 hole follow-up diamond drilling program, following a maiden diamond drill hole undertaken in May 2011, and a detailed infill-gravity survey.

On the basis of its geological setting the Shelby Project has been identified by the Group as having the potential to host an Iron-Oxide-Copper-Gold (IOCG) deposit and results from the work to date have identified areas that require future further follow up to test this potential.

Corporate

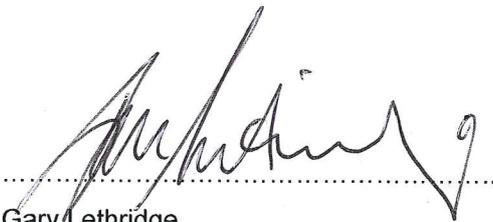
At half-year end, the Group had a cash position of \$37.4M which provides appropriate resources for the systematic evaluation of its current exploration assets.

Information in the review of operations 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 Limited 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 the review of operations of the matters based on information in the form and context in which it appears.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2011.

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



Gary Lethridge

Managing Director

22 February 2012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Talisman Mining Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
22 February 2012

L DI GIALONARDO
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	CONSOLIDATED	
		31-Dec-2011	31-Dec-2010
		\$	\$
Continuing operations			
Other income	2	1,216,993	2,406,113
Employee benefits expense	2	(1,370,654)	(932,386)
Exploration expenditure expensed as incurred		(47,601)	(70,410)
Impairment of exploration expenditure		-	(20,619)
Administrative expenses		(313,580)	(194,726)
Depreciation and amortisation expense		(78,018)	(47,121)
Impairment of available for sale financial assets		(84,000)	-
Other expenses		(134,472)	(123,762)
Finance costs		-	(9)
(Loss)/profit before income tax		(811,332)	1,017,080
Income tax benefit		88,891	-
(Loss)/profit after tax from continuing operations		(722,441)	1,017,080
Net (loss)/profit for the period		(722,441)	1,017,080
Other comprehensive (loss)/income			
Net change in the fair value of available-for-sale financial assets		(10,000)	15,000
Other comprehensive (loss)/income for the period, net of tax		(10,000)	15,000
Total comprehensive (loss)/income for the period		(732,441)	1,032,080
(Loss)/earnings per share:			
Basic (loss)/earnings per share (cents per share)		(0.55)	0.90
Diluted earnings per share (cents per share)		n/a	0.78

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	CONSOLIDATED	
		31-Dec-11	30-Jun-11
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		37,420,126	43,438,770
Trade and other receivables		697,407	848,105
Total Current Assets		38,117,533	44,286,875
Non-Current Assets			
Receivables		82,184	82,184
Other financial assets		5,036,000	5,130,000
Property, plant and equipment		465,251	468,531
Deferred exploration and evaluation expenditure	3	17,680,003	11,476,323
Total Non-Current Assets		23,263,438	17,157,038
Total Assets		61,380,971	61,443,913
Liabilities			
Current Liabilities			
Trade and other payables		241,490	794,817
Borrowings		74,000	-
Employee benefits		168,832	110,712
Current tax liabilities		5,073,615	5,064,055
Total Current Liabilities		5,557,937	5,969,584
Non-Current Liabilities			
Deferred tax liabilities		3,262,001	3,360,452
Total Non-Current Liabilities		3,262,001	3,360,452
Total Liabilities		8,819,938	9,330,036
Net Assets		52,561,033	52,113,877
Equity			
Issued capital	4	37,404,278	36,958,098
Reserves		3,442,198	3,513,571
Retained earnings		11,714,557	11,642,208
Total Equity		52,561,033	52,113,877

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	CONSOLIDATED					
	Issued Capital	Retained Earnings/ (Accumulated Losses)	Asset Revaluation Reserve	Share-based Payments Reserve	Option Premium Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
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	-	1,017,080	-	-	-	1,017,080
Net change in fair value of available-for-sale financial assets	-	-	15,000	-	-	15,000
Total comprehensive income for the period	-	1,017,080	15,000	-	-	1,032,080
Shares issued during the half-year	4,390,597	-	-	-	-	4,390,597
Shares to be issued	575,641	-	-	-	-	575,641
Recognition of share-based payments	-	-	-	545,295	-	545,295
Transfer on exercise of listed options	413,832	-	-	(256,289)	(157,543)	-
Unlisted options lapsing	-	2,062,280	-	(2,062,280)	-	-
Balance at 31 December 2010	36,844,480	(11,075,949)	-	3,829,715	-	29,598,246
Balance at 1 July 2011	36,958,098	11,642,208	10,000	3,503,571	-	52,113,877
Loss for the period	-	(722,441)	-	-	-	(722,441)
Net change in fair value of available-for-sale financial assets	-	-	(10,000)	-	-	(10,000)
Total comprehensive loss for the period	-	(722,441)	(10,000)	-	-	(732,441)
Shares issued during the half-year	220,000	-	-	-	-	220,000
Recognition of share-based payments	-	-	-	959,597	-	959,597
Transfer on exercise of options	226,180	-	-	(226,180)	-	-
Unlisted options lapsing	-	794,790	-	(794,790)	-	-
Balance at 31 December 2011	37,404,278	11,714,557	-	3,442,198	-	52,561,033

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	CONSOLIDATED	
	31-Dec-11	31-Dec-10
	\$	\$
Cash flows from operating activities	Inflows/(Outflows)	
Receipts from customers	-	37,000
Payments to suppliers and employees	(780,707)	(901,468)
Finance costs	-	(9)
Interest received	1,062,284	345,537
Net cash provided by/(used in) operating activities	281,577	(518,940)
Cash flows from investing activities		
Proceeds from sale of mining tenements	-	2,000,000
Payments for property, plant and equipment	(74,737)	(151,303)
Payments for exploration and evaluation expenditure	(6,445,484)	(3,451,292)
Net cash used in investing activities	(6,520,221)	(1,602,595)
Cash flows from financing activities		
Proceeds from issue of shares	220,000	4,966,238
Payment of finance lease liabilities	-	(509)
Net cash provided by financing activities	220,000	4,965,729
Net (decrease)/increase in cash held	(6,018,644)	2,844,194
Cash and cash equivalents at the beginning of the period	43,438,770	13,661,782
Cash and cash equivalents at the end of the period	37,420,126	16,505,976

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Talisman Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

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

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

Significant accounting judgments and key estimates

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

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

In the half-year ended 31 December 2011, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continue to be capitalised under AASB 6 or impaired. No expenditure was determined by management review as being required to be impaired.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 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 annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 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 is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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

	CONSOLIDATED	
	31-Dec-11	31-Dec-10
	\$	\$

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Other Income:

Bank interest receivable	1,199,144	369,113
Non-refundable option fee for sale of Iron Ore Projects	-	2,000,000

Employee benefits expense:

Share based payment expense	(959,597)	(545,295)
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NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	Half year to 31-Dec-11	Year to 30-Jun-11
	\$	\$

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost

Balance at beginning of period	11,476,323	9,059,569
Carrying value of tenements sold	-	(6,523,886)
Expenditure incurred	6,203,680	8,894,961
Acquisition of projects	-	66,298
	17,680,003	11,496,942
Expenditure written off	-	(20,619)
	17,680,003	11,476,323

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 4: ISSUED CAPITAL

	CONSOLIDATED	
	31-Dec-11	30-Jun-11
	\$	\$
Ordinary shares		
Issued and fully paid	37,404,278	36,958,098

	31-Dec-11	
	No.	\$
Movements in ordinary shares on issue		
At 1 July 2011	130,538,627	36,958,098
Exercise of unlisted options at 20 cents	1,000,000	220,000
Transfer from share-based payments reserve	-	226,180
At 31 December 2011	131,538,627	37,404,278

NOTE 5: OPTIONS

	CONSOLIDATED	
	31-Dec-11	
	No.	\$
Movements in options over ordinary shares on issue		
At 1 July 2011	12,550,000	3,503,571
Directors' remuneration	3,000,000	349,297
Employees' remuneration	2,825,000	610,300
Transfer on exercise of unlisted options	(1,000,000)	(226,180)
Unlisted options lapsing	(3,225,000)	(794,790)
At 31 December 2011	14,150,000	3,442,198

NOTE 6: 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.

NOTE 7: CONTINGENT LIABILITIES

In the opinion of the Directors there are no contingent liabilities or assets as at 31 December 2011 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this report.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material events subsequent to reporting date.

DIRECTORS' DECLARATION

In the opinion of the directors of Talisman Mining Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Gary Lethridge
Managing Director
22 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Talisman Mining Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talisman Mining Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year 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 reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

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L DI GIALLONARDO
Partner

Perth, Western Australia
22 February 2012