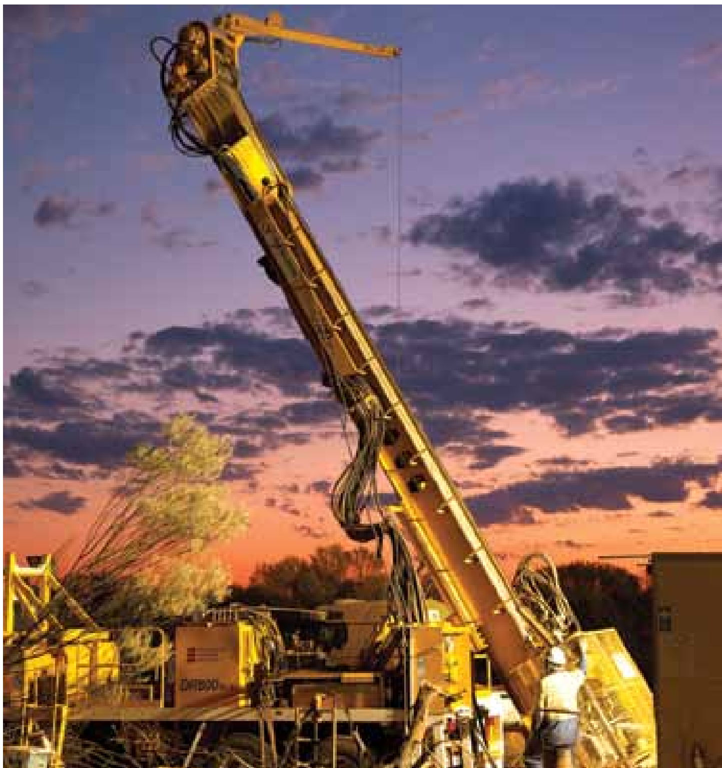
TALISMAN

MINING LIMITED

annual report

2012



CORPORATE DIRECTORY

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Non Executive Chairman

MR GARY LETHRIDGE
Managing Director

MR GRAEME CAMERON
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TALISMAN
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RC drilling at Springfield Project

LETTER FROM
THE CHAIRMAN

Dear Shareholder,

I am delighted to present Talisman's 2012 Annual Report and to reflect on what has been one of the most active years in the Company's history.

At a time when global equity market conditions have forced many resource companies to scale back their exploration commitments, Talisman has been in the fortunate position of having excellent exploration assets, the technical and commercial skills, the people, and the financial capability to maintain an active and focused exploration campaign throughout the year.

Our exploration spend of approximately $11 million for the 2012 financial year – predominantly directed towards our projects in the Doolgunna region; Springfield, Halloween and the more recently secured Halloween West Joint Venture – remains one of the most significant exploration commitments by a listed exploration company anywhere in Australia.

This high-quality exploration package lies around 150km north-east of Meekatharra, and effectively "book ends" to the east and the west, Sandfire Resources' high-grade DeGrussa VMS copper-gold project.

Our exploration effort this year has built on the solid foundations of an investment totalling more than $15 million over the past two years in extensive reconnaissance exploration, establishing a comprehensive and regionally unique project database for our key Doolgunna region projects.

The rationale behind this strategic focus is simple. The value leverage for shareholders that would flow from the greenfields discovery of a high-value, high-grade VMS-style copper-gold deposit in this area is enormous, as demonstrated by the stunning growth achieved by Sandfire Resources through the discovery and subsequent rapid development of the DeGrussa Project.

During the year our exploration team has applied cutting-edge exploration technology and developed an important regional and local geological and structural understanding in order to establish a comprehensive exploration methodology for narrowing the "search radius" for potential VMS deposits on our tenements.

We remain extremely enthusiastic about the potential of our ongoing exploration activities at Springfield and Halloween to deliver a company-changing discovery for Talisman.

To this end, during the year we reached agreement with Chrysalis Resources Limited to farm-in to a tenement located adjacent to Halloween; Halloween West, which is interpreted to host the continuation of the Halloween VMS horizon. We have the right to earn up to a 60 per cent interest in this ground by funding exploration activities totalling $500,000.

Consistent with our focus on our core copper-gold projects in the Doolgunna region, during the year we decided to temporarily scale back expenditure on our Shelby and Milgun Projects, as well as our gold projects at Muddawerrie and Livingstone.

We have concluded our most active year to date in a very strong financial position, and with a strong and very capable management and exploration team. In an environment where raising capital is becoming increasingly difficult, Talisman remains well placed over the coming twelve months to continue active and focused exploration.

In conclusion, I would like to thank our Managing Director, Gary Lethridge, and our team of staff and consultants for their hard work and dedication during the year. As they say in exploration, you're only ever one drill hole away from success, and Talisman has put itself in the best possible position to hopefully make that breakthrough.

I would like to thank shareholders for their ongoing support and wish you all the very best for the year ahead.

Yours faithfully,

Alan Senior
Chairman

REVIEW OF OPERATIONS

OVERVIEW

Over the past 12 months Talisman Mining has continued to systematically explore and develop its portfolio of prospective exploration projects in the Northern Murchison region of Western Australia **(see Figure 1)** with the central focus of exploration activities in the Doolgunna region.

In addition to the advancement of our exploration knowledge of the Springfield Project, the Company has successfully consolidated and advanced a series of exploration projects within the Doolgunna region of the Bryah Basin. Along with a maiden drilling program at its wholly owned Halloween Project, the Company also successfully executed a farm-in agreement with Chrysalis Resources Ltd to earn up to a 60% interest in the Halloween West Project (formerly Doolgunna West Project).

The Company's core exploration strategy for the next twelve months is to continue systematic and focused programs of exploration for high-grade copper-gold VMS deposits at the Company's Springfield, Halloween and Halloween West Projects.

Whilst the Company remains focused on exploration activities at its projects within the Doolgunna region of the Bryah Basin it will also continue to:

- advance the Company's gold exploration portfolio through appropriate exploration and potential project acquisitions;
- further develop our understanding and exploration strategy for the Shelby-Milgun Project which the Company believes has the potential to host large Iron Oxide-Copper-Gold (IOCG) deposits (e.g. Olympic Dam, Prominent Hill) and/or a Voisey's Bay-style mafic-ultramafic intrusive hosted nickel-copper-PGE sulphide deposit; and
- seek new quality advanced project opportunities for acquisition and exploration.

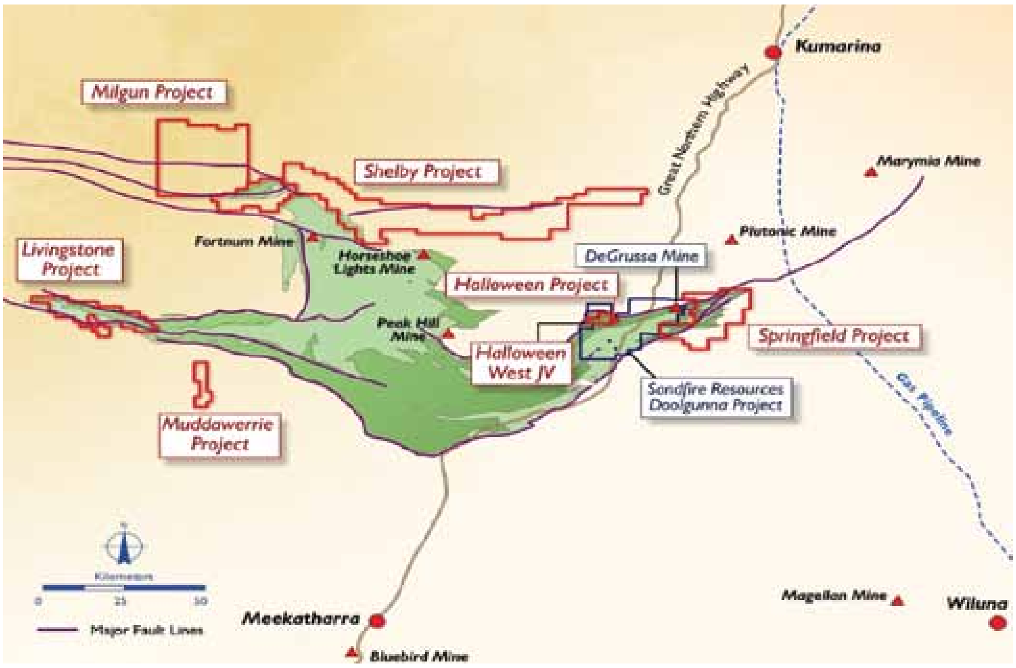
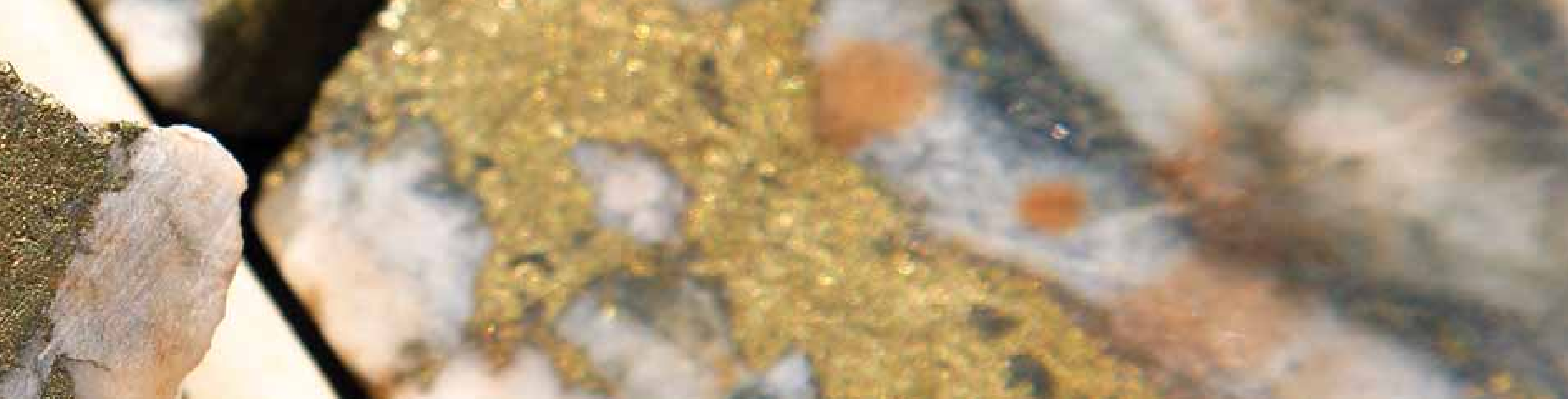


Figure 1 – Talisman Mining Project Locations



DOOLGUNNA REGION PROJECTS

SPRINGFIELD COPPER - GOLD PROJECT

(100% Talisman Mining Ltd)

The Springfield Project comprises a 303km^2 ground package located approximately 150km north-east of Meekatharra in the northern Murchison Goldfields region of Western Australia **(see Figure 1)** The Project is located immediately along strike to the east of Sandfire Resources DeGrussa Copper-Gold Project, where production is now underway with total JORC Code-compliant in-situ mineral resources standing at 11.91Mt @ 5.3% Cu and 1.8g/t Au contained in four volcanogenic-massive sulphide (VMS) deposits (Sandfire Resources (ASX -SFR) June Quarterly Activities Report 2012).

Talisman has been systematically 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 justify continued exploration efforts at the Project.

The first five months of the financial year saw the continuation of extensive reconnaissance drilling and associated exploration activities. The following three months comprised an integrated review, structural model development and initial targeting process, with the remainder of the financial year consisting of directed exploration activities located within specific areas of interest that included focused reconnaissance and some targeted drilling. A more detailed review of the activities during the year follows.

EXPLORATION ACTIVITIES July 2011 - November 2011

Exploration drilling activities in the first half of the 2012 financial year consisted of programs of Diamond, RC and AC drilling that were primarily reconnaissance in nature. Exploration activities focused on systematically testing the prospectivity of several volcanic sequences identified within the Springfield Project to host DeGrussa style VMS copper-gold deposits.

AC Drilling

An AC drilling program, focused on the northern extents of the Springfield Project, was completed in November 2011 and comprised 69 vertical drill holes on a 400m x 160m north-south grid pattern for a total of 4,369 metres.

Drilling intersected DeGrussa style sequences comprising of prospective basalt, dolerite and volcanic sedimentary assemblages and encountered widespread copper anomalism spatially associated with at least two exhalative horizons along the northern and southern edges of the Homer volcano-sedimentary sequence.

This drilling confirmed that the horizons tested have the potential to host VMS style copper-gold deposits.

RC Drilling

An RC drilling program was completed in October 2011 and was designed to better define the mineralised volcano-sedimentary units across the Northern and Central Corridors. Drilling at the Homer Prospect intersected widespread copper anomalism (to a maximum assay of 0.14% Cu) hosted by altered magnetite-sulphide bearing volcani-clastic horizons.

This drilling confirmed the prospectivity and continuity of the DeGrussa volcano-sedimentary sequence over the Northern and Central Corridors of the Springfield Project.

Diamond Drilling

Diamond drilling along the prospective northern margin of the Monty Prospect undertaken in the first quarter of the 2012 financial year targeted a series of discrete geophysical anomalies at a contact between mafic volcanic rocks and an underlying dolerite-sediment package. Drilling intersected widespread zones of strong hematite-magnetite alteration with minor disseminated chalcopyrite interpreted to be the equivalent position to the Cowhole Bore Prospect, held by Resource and Investment NL (ASX: RNI).

Diamond drilling in the second quarter of the 2012 financial year to test a major sediment-volcanic contact along the northern boundary of the Central Corridor returned anomalous copper values to a maximum of 0.28%. Additional Diamond drilling in the second quarter of the 2012 financial year was also undertaken at the Homer Prospect which intersected chalcopyrite (copper) and coincident gold mineralisation along the interpreted DeGrussa stratigraphic position, at the intersection of the Coolabah fault.

In summary, results from the various drilling activities undertaken in the first half of the 2012 financial year provided confirmation that the targeted volcano-sedimentary horizons are prospective to host VMS style copper-gold mineralisation and provided strong encouragement for exploration activities to continue at the Springfield Project.

INTEGRATED REVIEW December 2011 - February 2012

Following the completion of the drilling programs in the first half of the 2012 financial year the Company undertook a review of the Springfield Project between December 2011 and February 2012. The review consisted of a detailed and fully-integrated review of the Company's comprehensive and regionally unique datasets to identify key stratigraphic horizons, primary structural controls and geochemical vectors to potential mineralisation. Work undertaken included:

- geological re-interpretation through re-logging of all drill holes, plus geochemical and geophysical characterisation of key host rock units;
- structural edge detection and the use of geophysical complexity filters to identify primary structural controls on mineralisation (pathway / focus);
- identification of alteration and metal pathfinders as likely vectors to VMS mineralisation; and
- re-processing of electromagnetics to identify likely traps for accumulations of sulphide mineralisation.

The fully integrated methodology led to the development of a detailed structural and geological interpretative 3D model for the Springfield Project that identified several areas of interest within the Project that demonstrated a geological and structural setting similar to the nearby DeGrussa VMS Copper-Gold mine **(see Figure 2)**. As a result of this review the Company delineated a number of fully-integrated VMS drill target areas.

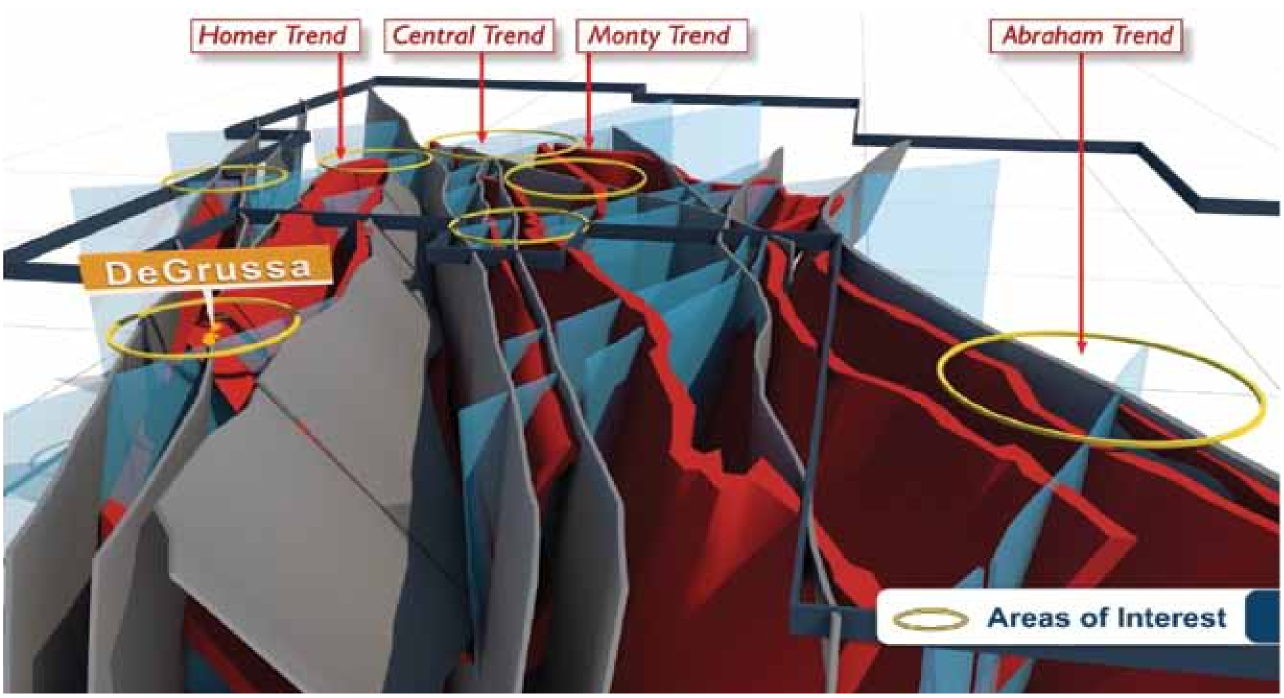


Figure 2– 3D model looking East showing areas within the Springfield Project with a geological and structural setting similar to the DeGrussa VMS Copper-Gold mine

EXPLORATION ACTIVITIES March 2012 - June 2012

The Company commenced a reconnaissance and targeted drilling program in April 2012 that comprised approximately 11,000 metres of combined Diamond and RC drilling designed to test 20 newly identified copper-gold exploration target areas of interest identified as a result of the integrated review.

By the end of the financial year the Company had substantially completed the original planned 11,000 metre drill program and had confirmed the presence of multiple prospective VMS horizons (the host for potential VMS deposits) across three distinct volcanic trends **(see Figure 3)** being:

1. Homer Trend;
2. Monty Trend; and
3. Central Trend;

These prospective trends will now become the focus of the next phase of exploration drilling programs targeting DeGrussa-style VMS copper-gold deposits across the Springfield Project.

As a result of the success of the initial 11,000m (73 holes) drill program the program was extended in July 2012 to approximately 15,000m (100 holes).

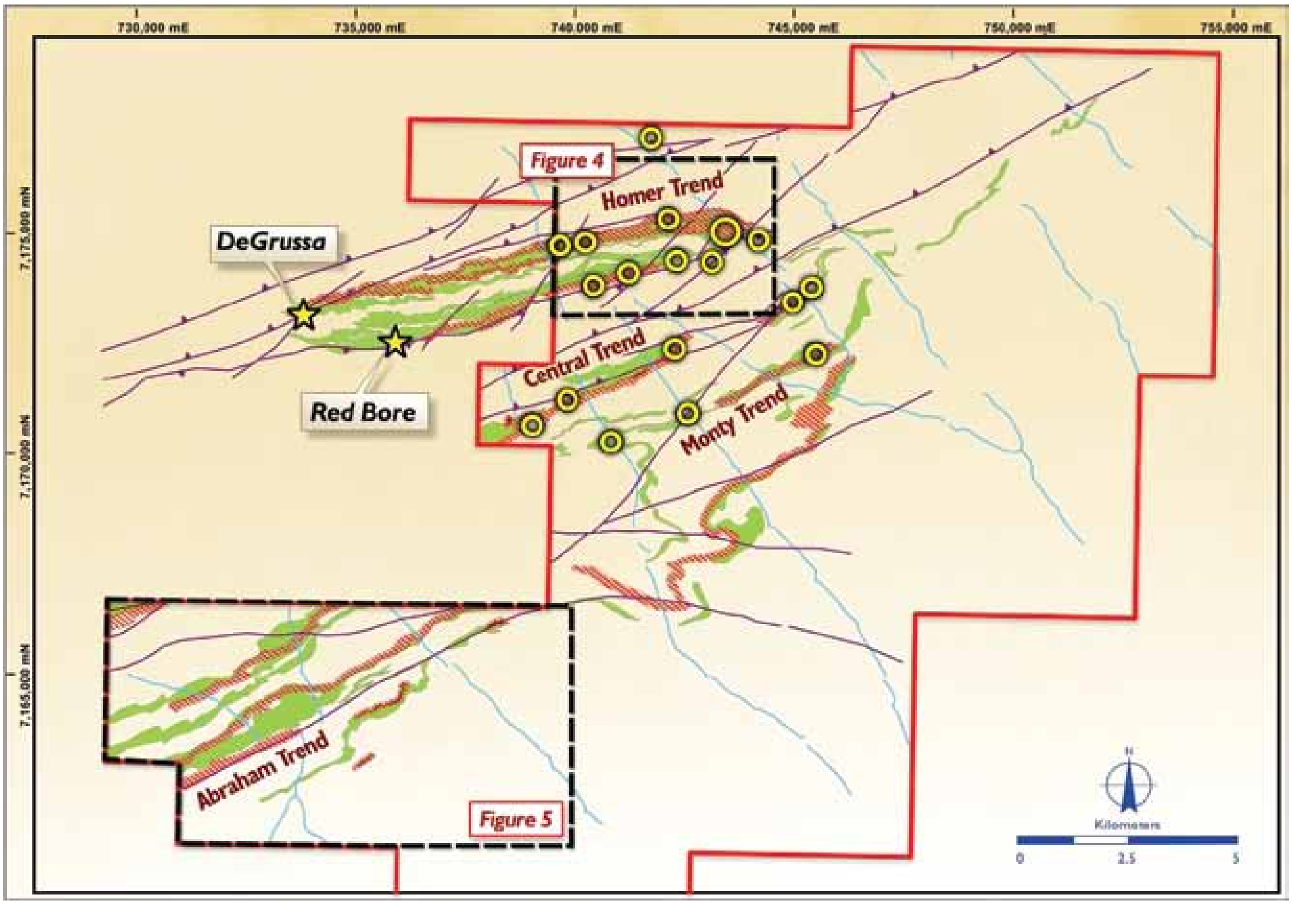


Figure 3 – Geological interpretation showing tier-one target areas within the Springfield Project (each area contains one or more targets)

The three distinct volcanic trends are discussed below.

1. Homer Trend

RC drilling along the Homer Trend consistently intersected disseminated copper-sulphide mineralisation associated with a well-defined volcani-clastic sedimentary horizon at the contact between sediments of the Karalundi Formation and the overlying Narracoota Mafic Volcanics **(see Figure 4)**. The mineralised sediments have characteristics that are interpreted to be indicative of exhalative processes that might host a VMS Copper-Gold deposit along strike or at depth.

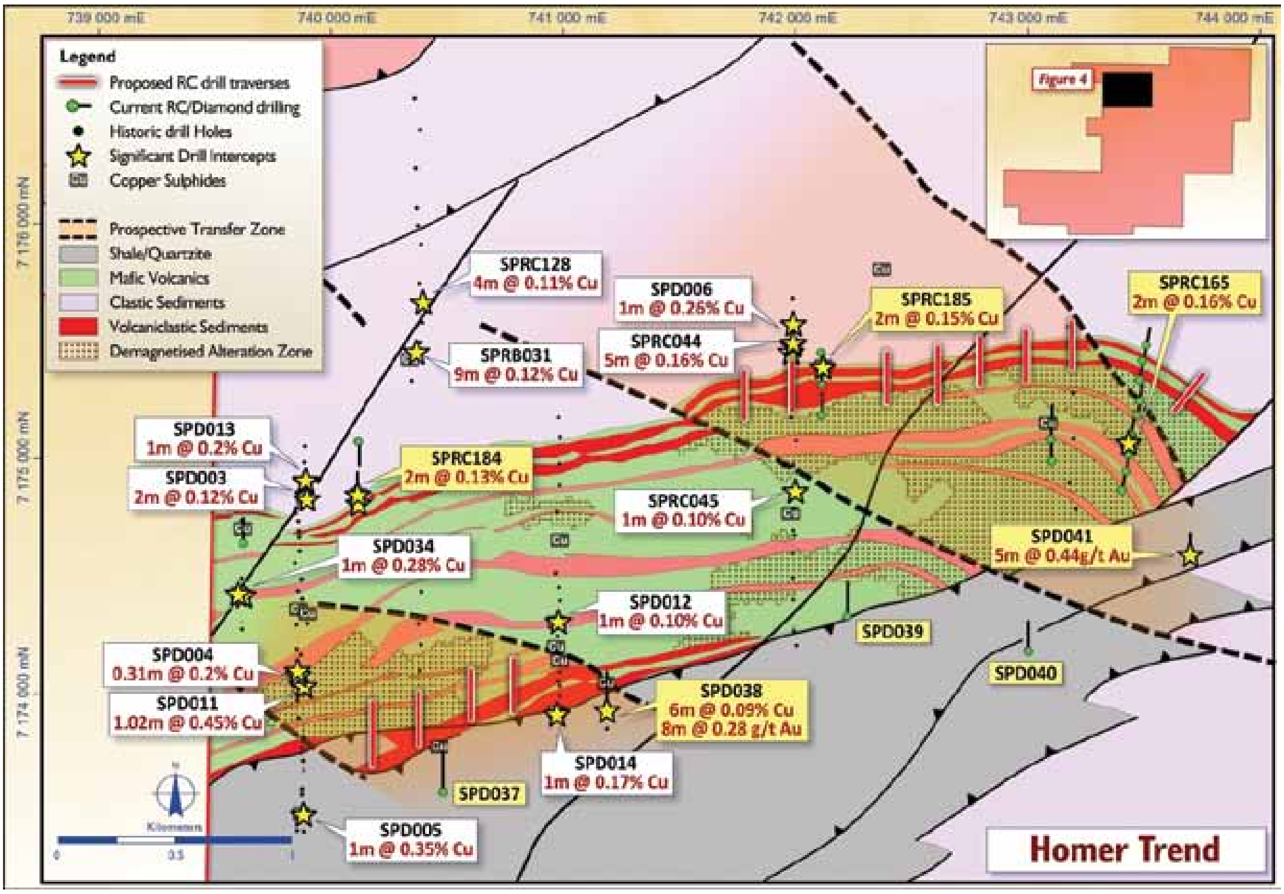


Figure 4 – Homer Trend geological interpretation showing significant copper intercepts and proposed follow up drilling

Further RC drilling is planned to systematically drill prospective volcanic sediment horizons over the eastern extension of the Homer Trend where a major NW-trending transfer fault cuts the sequence and may have focussed significant VMS activity **(see Figure 4)**. Strong demagnetisation of the mafic volcanic sequence is interpreted to be associated with pervasive hydrothermal alteration similar to that noted at Sandfire's DeGrussa deposit and may be indicative of a mineralised system.

2. Monty Trend

RC drilling intersected the Monty sequence with strong copper anomalism at the contact between the Monty granodiorite intrusive and a pyroxenitic dolerite. The target sedimentary horizon was intersected in the recent drilling, but without any noted anomalism. It is interpreted that these intrusive rocks have scavenged and remobilised significant copper, probably derived from the Monty Horizon, and as such may act as a vector towards the centre of a possible mineralised VMS system.

Previous drilling along the Monty Trend has intersected 0.3m @ 7.6% Cu (SPD020), plus additional lower order anomalous results in a similar geological setting, supporting the prospectivity of the Monty trend.

The Monty target horizon is currently undergoing review and re-assaying with low-level analytical techniques to help better define follow-up drill targets and to vector towards a potential mineralized VMS position. It is likely that further in-fill drilling will be conducted in the 2013 financial year.

3. Central Trend

Three RC drill traverses were completed to test a prospective mafic-sediment contact at the southern margin of the Central Trend. It is interpreted that this horizon represents a stratigraphically equivalent position to the DeGrussa sequence on the southern limb of a major syncline and, therefore, has the potential to host VMS-style copper-gold mineralisation.

Assay results from this drilling indicate anomalous copper sulphide, gold and malachite (secondary copper oxide) development associated with strongly altered and sheared mafic volcanic sediments and basalts, with coincident jasperoidal chert and magnetite development along the prospective horizon. Previous drilling also returned elevated anomalous copper-sulphide occurrences along this position.

Further drilling is currently being planned to test this position and to systematically drill test the Central Trend in areas of structural complexity coincident with cross-cutting NW faulting and associated strong demagnetisation.

Abraham Trend

The integrated review completed in February 2012 has also led to an enhanced understanding of the southern portion of the Springfield Project, particularly the Abraham volcanic trend (see Figure 3).

The Abraham Trend is interpreted to comprise prospective basalts, volcanic sediments and dolerites in close proximity to the Goodin Fault Zone – a major basin boundary structure and possible focus for VMS mineralisation **(see Figure 5)**.

In order to define drill targets, an extensive detailed 100m x 25m soil sampling program of approximately 5,000 samples was completed during the second half of the 2012 financial year across much of the western Abraham Trend with the aim of identifying and delineating co-incident areas of anomalous copper and gold soil geochemistry. The results of the soil sampling generated a significant copper-gold anomaly over the central portion of the Abraham Trend with a maximum copper value of 189.4ppm and gold values up to 61.5ppb against a very low geochemical background.

In addition detailed geological mapping conducted over the anomalous area clearly identified multiple anomalous volcanic sedimentary horizons for drill testing.

A reconnaissance 3,000m RC drilling program will commence during the first quarter of the 2013 financial year as an initial test of these encouraging new target areas.

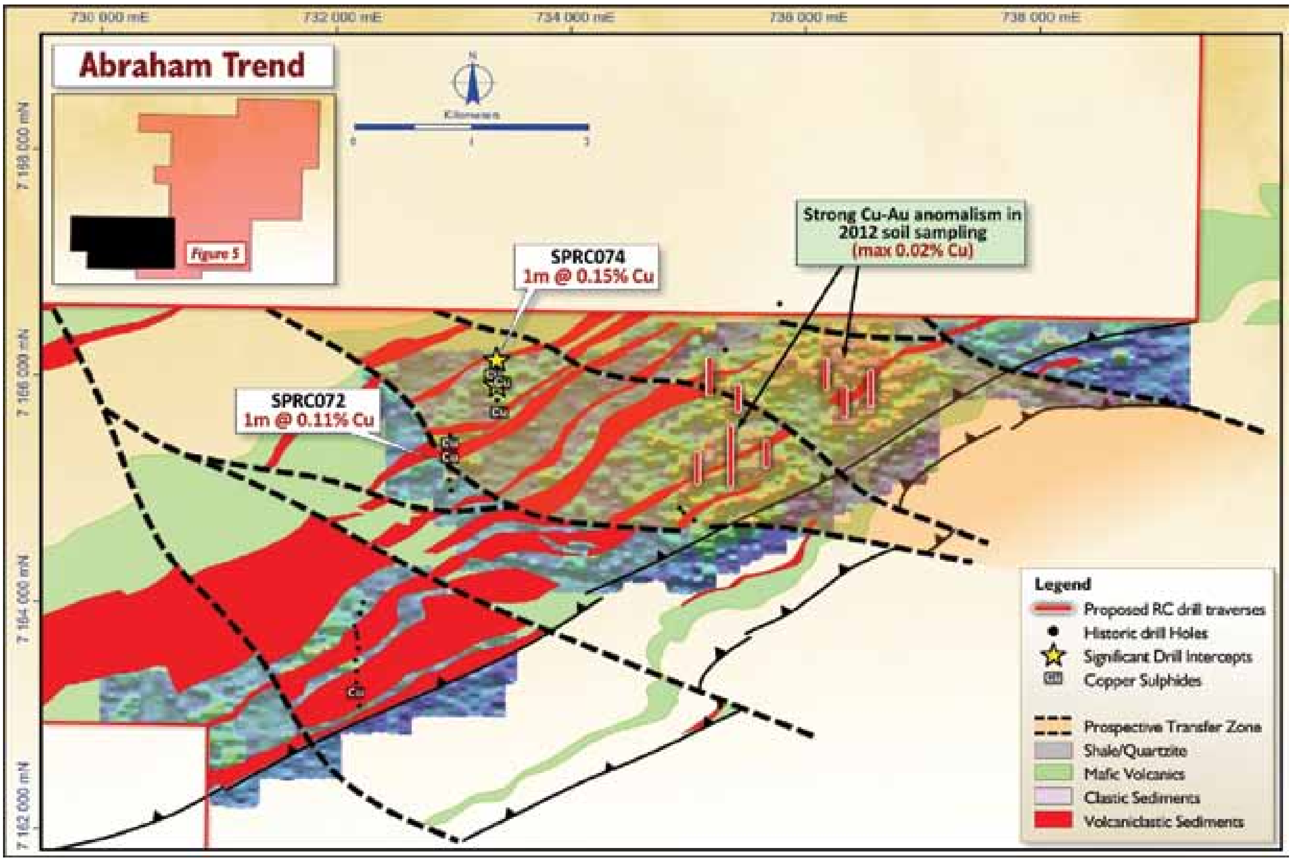


Figure 5 – Abraham Trend geological interpretation showing significant copper intercepts, soil geochemistry and proposed RC drilling

HALLOWEEN PROJECT (Cu-Au)

(100% Talisman Mining Ltd)

The Halloween Project is located approximately 16.5km west of the Springfield Copper-Gold Project and 11.5km south-west of Sandfire Resources high-grade DeGrussa VMS Copper-Gold Project **(See figure 6)**. The Halloween Project covers the interpreted western extension of the Narracoota Volcanic Formation that locally hosts the DeGrussa Deposit.

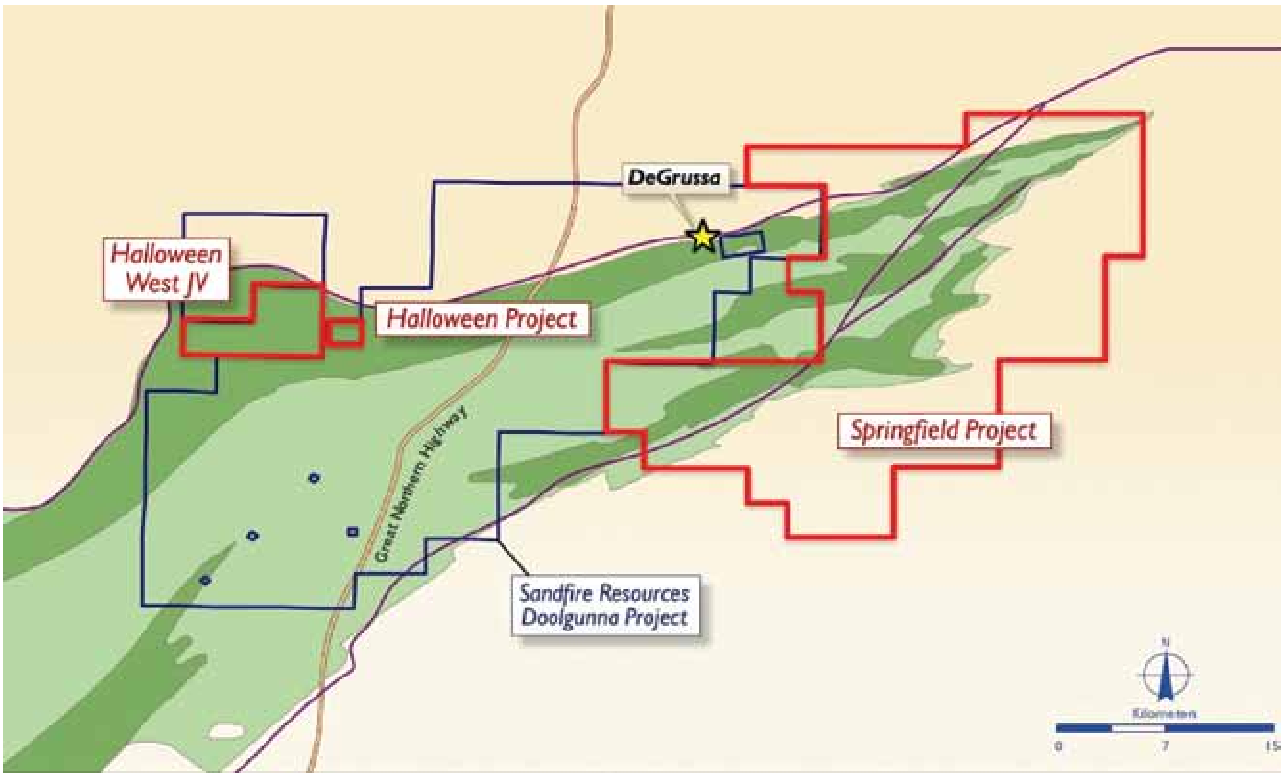


Figure 6 – Simplified interpreted Geological Location Plan for Halloween and Halloween West Projects

Surface sampling undertaken by the Company in the 2011 financial year defined strong, widespread copper-gold anomalism across the Project area which also has a history of shallow gold extraction by prospectors. This work was followed by a program of detailed geological mapping and in-fill soil sampling during the September quarter of the 2012 financial year which resulted in defined geological/geochemical targets for a maiden RC drilling campaign.

The maiden 16 hole RC drill program was undertaken during February-March 2012, for a total of 2,158 metres and delivered immediate success, intersecting significant gold mineralisation along three out of four wide-spaced drill traverses across the interpreted potential VMS horizon **(See figure 7)**.

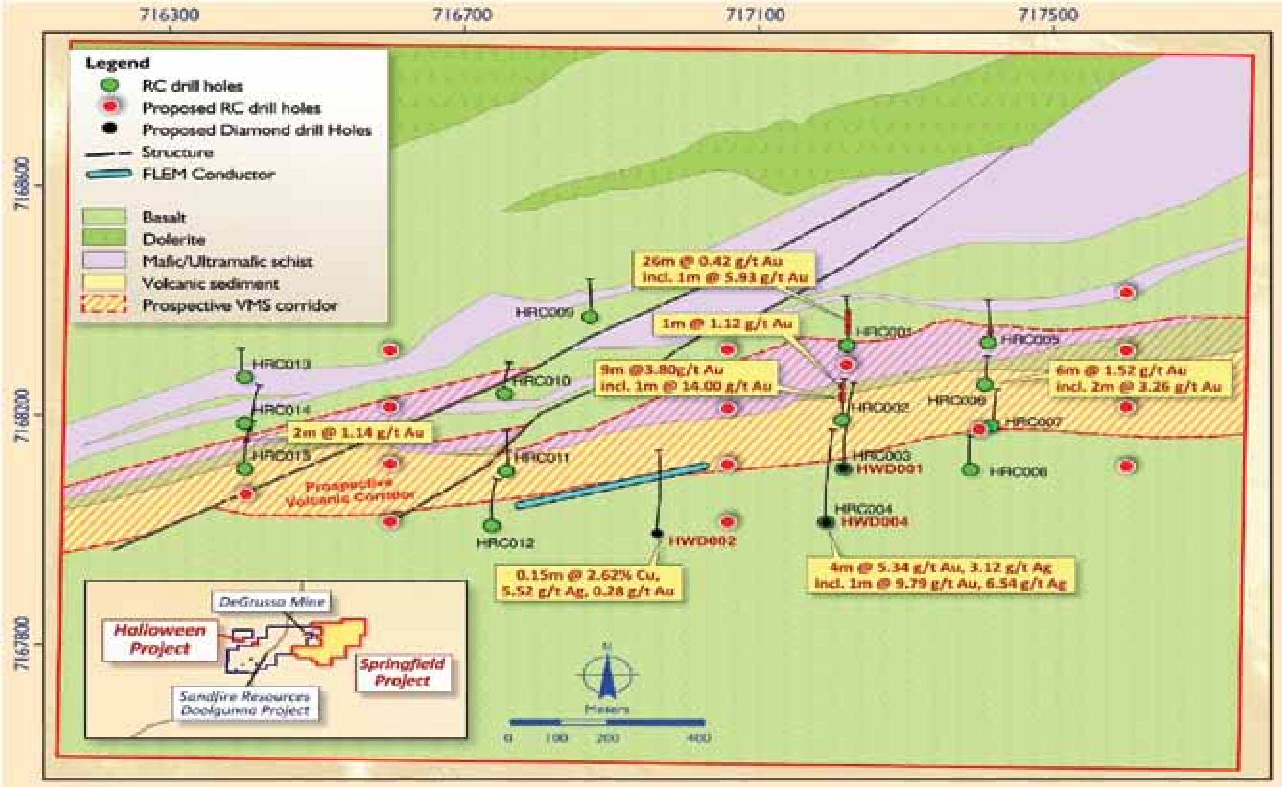


Figure 7 – Simplified Geological Plan with Drill Hole Locations showing significant gold Intercepts at the Halloween Project

The best results from this program included:

- HRC002:
  - **1m @ 14g/t Au** from 86m; and
  - **9m @ 3.80g/t Au** from 84m (including 4m @ 7.37g/t Au from 84m)
- HRC006:
  - **6m @ 1.52g/t Au** from 18m

The mineralised volcanics intersected in the RC drill holes also showed pervasive magnetite development and strong manganese enrichment, together with elevated zinc-lead-silver geochemistry. These are key pathfinders which are potentially indicative of a VMS-related exhalative mineralising system.

Following the successful initial RC drill program, the Company completed a detailed FLEM survey over the prospective volcanic corridor at Halloween with the aim of defining electromagnetic conductors that might be associated with massive sulphides along strike and down-dip from the better gold drill results.

The FLEM survey identified a late-time electro-magnetic conductor sitting along the prospective volcano-sedimentary corridor in the centre of the Project **(see Figure 7)** which was drill-tested (HWD002) as part of a three-hole diamond drilling campaign that commenced in June 2012.

In addition to testing the FLEM conductor the Diamond drilling campaign also included two additional holes (HWD001 and HWD004) that were designed to test the prospective mineralised horizon for VMS copper-gold mineralisation immediately down-dip from the peak gold results identified from the earlier RC drilling campaign **(see Figure 8)**.

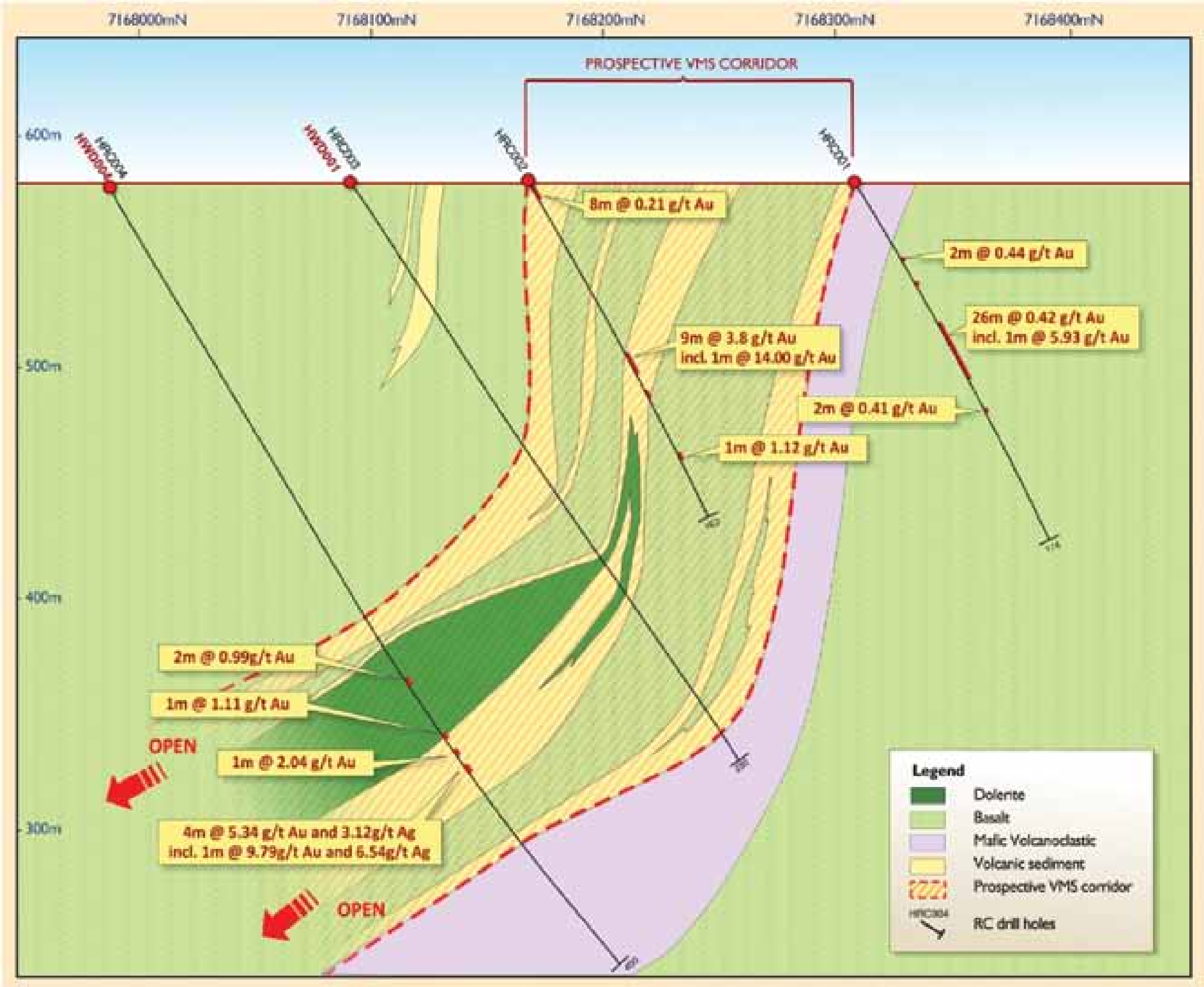


Figure 8 – Interpreted Drill section 717200E looking west showing interpreted geology and significant gold intercepts

The follow-up Diamond drilling program returned high-grade gold, copper and silver results in two of the three holes with best results including:

- HWD004:
  - **4m @ 5.34g/t Au** and 3.12 g/t Ag from 297 m;
  - **1m @ 2.04g/t Au** from 288m; and
- HWD002:
  - **0.15m @ 2.62% Cu, 5.52g/t Ag and 0.28 g/t Aug/t Au** from 165m

Both holes also contained elevated pathfinder elements in copper mineralized intervals that are consistent with the geochemical signature of Sandfire Resources DeGrussa Copper-Gold deposit located along strike of the Halloween Project.

A follow-up 3,000 metre in-fill RC drilling program commenced in July 2012 to better define the extent of the mineralised trend and to establish a platform for deeper diamond drilling later in the 2012 calendar year.

HALLOWEEN WEST JOINT VENTURE PROJECT (Cu-Au)

(Talisman Mining Limited - right to earn-in 60%)

On 16 May 2012 the Company announced that it had further strengthened its exploration portfolio in the Bryah Basin mineral province of Western Australia after reaching agreement with Chrysalis Resources Limited (ASX: CYS) to farm into the Halloween West JV Copper-Gold Project **(see Figure 6)**.

Under the terms of the Joint Venture Farm-In Letter Agreement Talisman has the right to earn a 60% interest in the Halloween West JV Copper-Gold Project by spending $500,000 on exploration within three years. Talisman must spend a minimum of $150,000 on exploration within the first 12 months and following expenditure of the initial $150,000 Talisman can elect to either:

i. withdraw from the farm-in arrangement with no further commitment; or

ii. expend a further $350,000 within the next 2 years in order to earn a 60% interest in the Halloween West JV Copper Gold Project.

Once Talisman has earned a 60% joint venture interest, Chrysalis will have the right to maintain its 40% interest by contributing to exploration expenditure on a pro rata basis or dilute on an industry standard basis. Under the terms of the agreement Talisman will manage all exploration activities during the farm-in period and will also be the Joint Venture Manager as it will be the majority holder of the Project.

The Project comprises an area of approximately 18.5km^2 and lies immediately adjacent to the Company's Halloween Project with the prospective volcano-sedimentary corridor at Halloween interpreted to trend onto the eastern portion of the Halloween West Project. **(see Figure 9)** Consequently the Project is considered by the Company to be highly prospective for VMS style Cu-Au mineralisation.

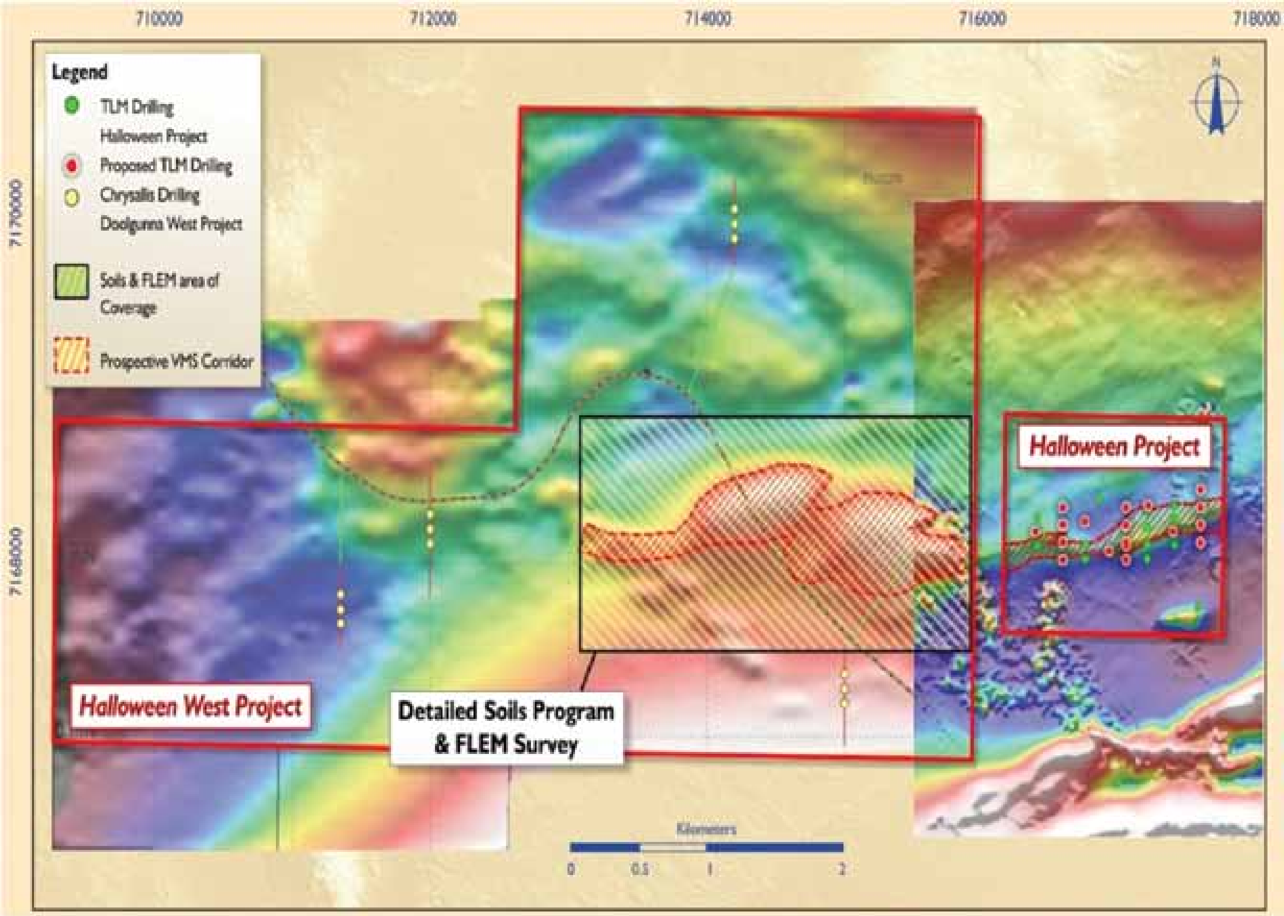


Figure 9 – Halloween West JV Project showing proposed soil and FLEM area of coverage over regional magnetics

In June 2012 the Company commenced a detailed 100m x 25m soil geochemical program (totaling 1,455 samples) covering the portion of Halloween West located immediately along strike of the Halloween Project VMS horizon **(see Figure 9)**. Results from this program identified a number of copper and gold anomalies warranting further investigation.

Subsequent to the 2012 financial year end the Company commenced detailed geological mapping and a FLEM survey at Halloween West in order to better define prospective stratigraphic horizons across the Project.

The mapping and FLEM survey will assist in targeting future RC drilling anticipated to commence in the first half of the 2013 financial year.

BRYAH BASIN PROJECTS

MURCHISON GOLD PROJECTS

LIVINGSTONE GOLD PROJECT
(80% Talisman Mining Ltd)

The Livingstone Gold Project is located approximately 130km to the north-west of Meekatharra **(see Figure 1)** and consists of three Exploration Licences covering an area of 208 km^2. The Project straddles the western extension of the highly prospective Bryah Basin at the northern margin of the Yilgarn Craton and a major shear zone traverses the entire Project with widespread gold intercepts returned by historic percussion drilling programs over a strike length of more than 31km.

In November 2011 Talisman completed an initial two-hole diamond drilling program at two historic prospects, Winja and Homestead. This drilling was undertaken to confirm and evaluate the geological controls on high-grade gold mineralisation intersected by previous drilling **(see Figure 10)**.

At the Winja Prospect, a single diamond hole (LVD001) was drilled beneath historical RC drill hole TRC070. Historical drill hole TRC070 returned thick, high-grade gold intersections (29m @ 5.20g/t Au from 64m) from within a dolomitic host sequence above an interpreted granite body. LVD001 intersected a strongly brecciated and sulphidic package of sediments over much of its length however no mineralised quartz veining was encountered. This suggests that historical drill hole TRC070 may have drilled down a mineralised shoot that dips back to the south-west and further drilling towards the north is required to test this new interpretation.

At the Homestead Prospect a single diamond hole (LVD002) was drilled beneath historic drill hole TRC037 to confirm high grade mineralised zones including 7m @ 4.75g/t Au. Anomalous gold values were intercepted including 3m @ 1.84g/t Au and appear to be associated with abundant sub-vertical quartz veining and intense carbonate-pyrite alteration in metabasalt within a major fault zone. The results support the view that the Central Shear Zone is a significant and highly prospective gold bearing structure warranting further review.

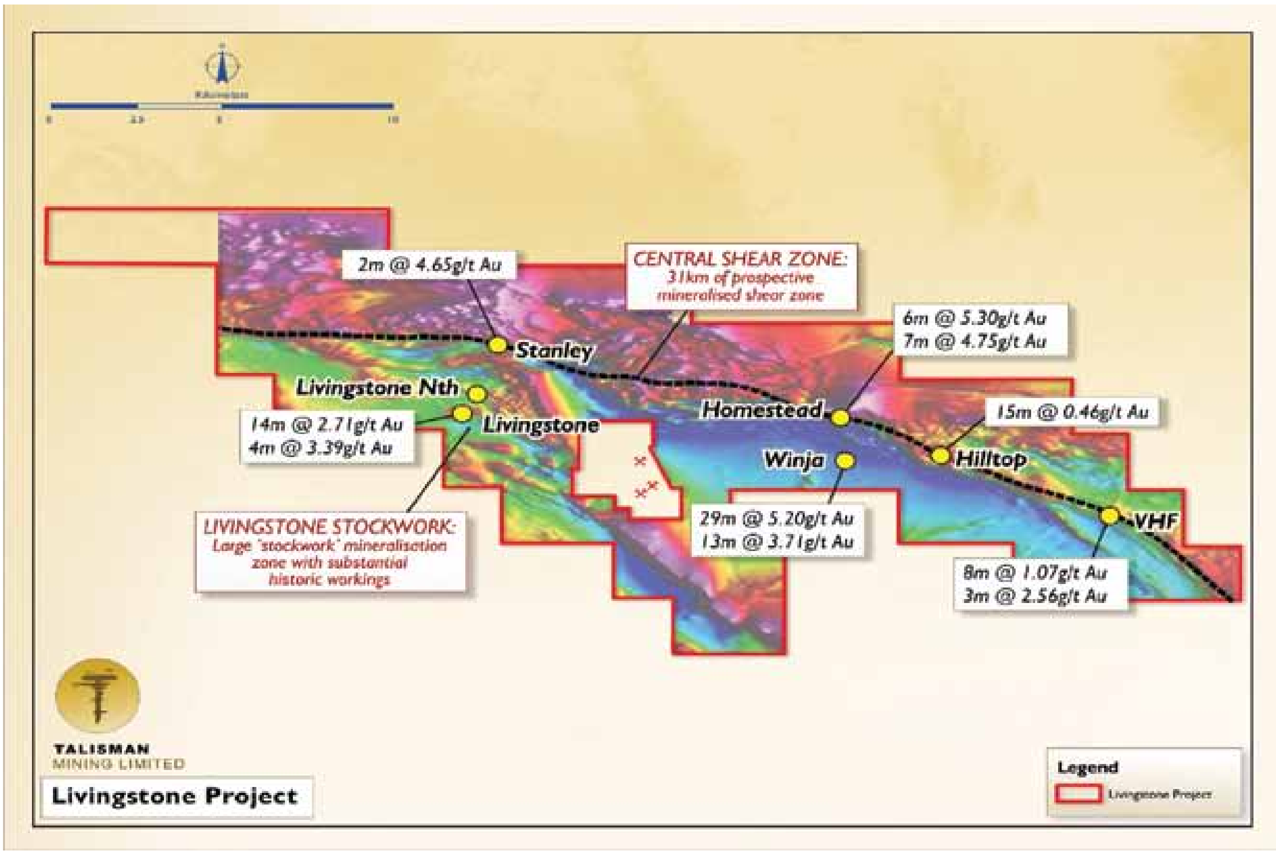


Figure 10 – Livingstone Gold Project Magnetic Image Showing Historic Gold Results

During the second half of the 2012 financial year the Company commenced detailed geological mapping a structural review and an extensive soil sampling program of over 6,000 soil samples. The soil sampling program was completed in May 2012 and covered the Stanlee, Fandral, Hilltop, VHF and Kerba Prospects with low-order gold anomalism identified at all prospects.

As a result of the work undertaken the Company has a revised regional geological interpretation of the Livingstone Project. A detailed review of the geochemical data and a revised geological and structural interpretation is underway.

MUDDAWERRIE GOLD PROJECT
(80% Talisman Mining Ltd)

The Muddawerrie Project is located approximately 100km north west of Meekatharra in the Murchison Region of Western Australia **(see Figure 1)**. The granted Exploration License covers an area of approximately 52km^2 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.

The Muddawerrie Project comprises two mineralised trends, Mt Maitland and Muddawerrie, which extend for 6km along the western and eastern sides of the Project area respectively. Both trends are characterised by highly anomalous gold geochemistry in highly sheared mafic volcanic rocks coincident with a number of old gold workings along each trend **(see Figure 11)**.

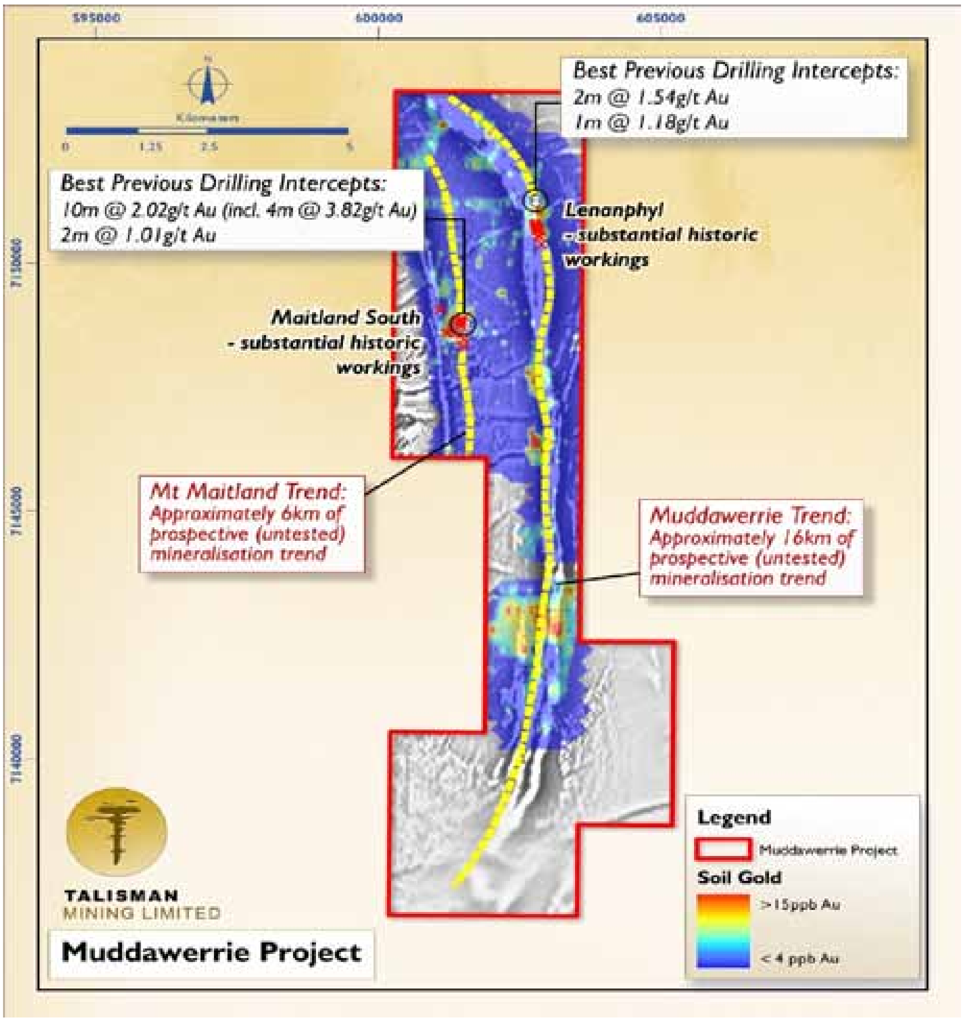


Figure 11 – Muddawerrie Gold Project Showing Historic Gold Intercepts

A first-pass program of RC drilling was completed in October 2011 with 19 holes drilled for a total of 1,860m to test a series of prospects along the two mineralised shear zones.

Drilling at the Mt Maitland South Prospect intersected near-surface gold mineralisation along a broad shear zone over a strike length of at least 440m with a best result of 9m @ 2.54g/t Au from 10m (including 2m @ 8.12g/t Au).

Drilling at the Lenanphyl Prospect along the Muddawerrie Trend returned widespread low-level gold anomalism associated with quartz veining in banded iron formation and felsic sediments. These results indicate that the mineralised iron formation at Lenanphyl dips steeply to the east rather than to the west as previously interpreted and was therefore not adequately tested by the first-pass drill program. This area remains a highly prospective target for future drilling.

The results of the initial first-pass drilling are considered to be sufficiently encouraging to warrant further follow-up drilling and the Company undertook geological mapping and soil sampling over targeted areas late in the 2012 financial year.

The Company is currently assessing appropriate follow-up exploration activities for the future which are likely to include further geological mapping, infill soil sampling and structural interpretation of magnetic and geology data, with potential RC drill testing of the highest-ranked gold targets.

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

The 1,816 km^2 Shelby Project is located along the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine **(see 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.

On the basis of its geological setting, the Shelby Project has been identified by Talisman as having potential to host large Iron Oxide-Copper-Gold (IOCG) deposits (e.g. Olympic Dam, Prominent Hill) and/or a Voisey's Bay-style mafic-ultramafic intrusive hosted nickel-copper-PGE sulphide deposit.

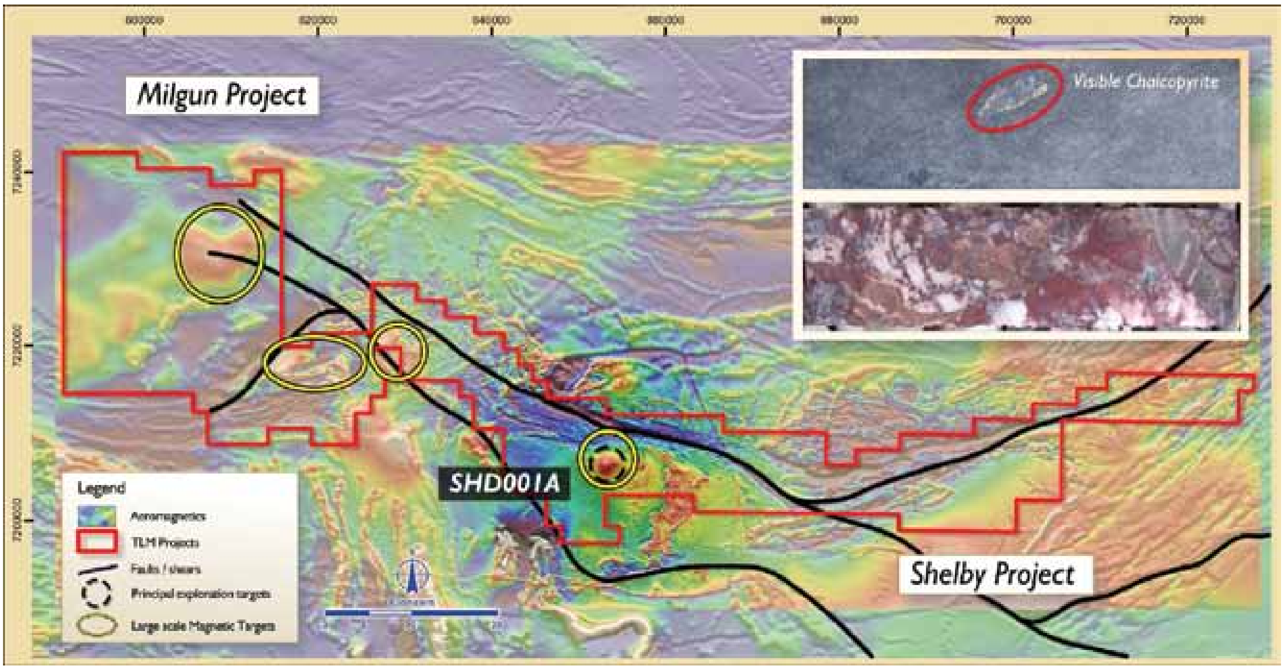


Figure 12 – Shelby Project magnetic image showing discrete bullseye anomalies, drill core from drillhole SHD001A showing both visible chalcopyrite and strongly altered basement rocks.

In May 2011, Talisman completed an initial 1,452m-deep diamond hole (SHD001A) co-funded as part of the WA State Government Exploration Incentive Scheme (EIS) and designed to test a large magnetic body identified by a detailed airborne magnetic survey **(see Figure 12)**.

The mafic-ultramafic rocks and strong magnetite-amphibole-chlorite alteration intersected by SHD001A demonstrated encouraging evidence that Shelby could host a large iron oxide-copper-gold mineralising system. Furthermore, metal deposition is evident in SHD001A with chalcopyrite mineralisation (to a maximum of 0.047% Cu) and elevated gold values (to 84ppb) in zones of stronger alteration.

A detailed infill gravity survey was completed in November 2011 over the Shelby magnetic anomaly and immediate environs to test for gravity anomalism that may be associated with dense iron oxide-copper-gold mineralisation. Approximately 1,141 stations were collected along 250m spaced lines and 200m station spacing.

The processed data was received during the year and highlighted several discrete gravity anomalies worthy of follow-up. 3D modeling of the data is now planned to determine the attitude, depth and significance of these anomalies and their possible relationship to IOCG mineralisation.

OTHER PROJECTS

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.

Following review of the Projects, both Projects were considered to have low potential for the discovery of a significant base metals deposit. Consequently the Paroo and Paddy Well tenements have been surrendered.

Skull Springs (Mn) (TLM 100%)

During the year Shaw River Resources (ASX: SRR) withdrew from the Skull Springs joint venture with Talisman. A subsequent review of the Project indicated limited potential for a significant economic manganese discovery and after several attempts at divesting and joint venturing the Project the tenement package was fully relinquished during the year.

Anticline and Tom Price Polymetallic Projects

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

In 2004, prior to floating, Talisman granted Fortescue Metals Group (FMG) 100% of the iron ore rights associated with its Tom Price and Anticline tenements. As a result of this transaction Talisman retained:

- the ownership of the tenements:
- rights to all other metals; and
- a royalty of $0.30 per tonne of iron ore mined from the tenements capped at $8 million.

In July 2012 the Company agreed to sell the ownership of these non-core tenements to FMG. Under the terms of this recent transaction Talisman received a cash payment of $550,000 from FMG and retained the royalty rights noted above.

Competent Person's 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.

Breccia-Massive Copper Sulphides (SPD020)
Monty Trend Springfield Project

TENEMENT SCHEDULE

AS AT DATE OF REPORT

Project	Tenement	Blocks (Area)	Talisman Equity (%)	JV Partner	Expiry	Annual Commitment	Comments
HALLOWEEN WEST	HWW - E52/2275	6	60*	Chrysalis Resources JV	8/02/2014	$30,000	
HALLOWEEN	HLW - P52/1241	(200.0 HA)	100		17/03/2016	$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	
	LVS - E52/1423	(195 HA)	80	Murchison Resources JV			Application
MILGUN	MLG - E52/2281	41	100		20/01/2014	$61,500	
	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	
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	

* Talisman has the right to earn a 60% interest in the Halloween West Joint Venture under an agreement with Chrysalis Resources Limited

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" reporting 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.

The following governance-related documents can be found on the Company's website at www.talismanmining.com.au, under the tab marked "About Us", "Corporate Governance":

Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

Policies and Procedures

- Policy and Procedure for Selection and (Re)Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Diversity Policy
- Code of Conduct (summary)
- Policy on Continuous Disclosure (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Risk Management Policy (summary)

The Company reports below on how it has followed (or otherwise departed from) each of the recommendations during the 2011/2012 financial year (Reporting Period). The information in this statement is current at the date of this report.

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.

The Board takes into account the skills and experience required, in the context of the Company’s operations and activities to ensure an appropriate blend of directors with the necessary expertise and relevant industry experience required by the Company. It is the view of the Board that it consists of an appropriate balance between executives possessing extensive direct experience and expertise in the core business activities of the Company, and non-executive members who are able to bring to the Board a diverse range of general mining and exploration industry commercial expertise and experience relevant to the operations and activities of the Company.

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 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 changes, 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 was appointed 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 the following guidelines, as set out in the Company's Board Charter 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.
- Statement of comprehensive income 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 statement of comprehensive income 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, 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 (Managing Director), Graeme Cameron (Technical Director appointed 17 November 2011) and Brian Dawes (Non-Executive Director). Peter Langworthy who resigned as Technical Director on 11 November 2011 was also a non-independent director during part of the Reporting Period.

The independent Chair of the Board is Alan Senior.

The Managing Director is Gary Lethridge who is not 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 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.

BOARD COMMITTEES

Nomination Committee

(Recommendations: 2.4, 2.6)

The Board has established a Nomination Committee. The Nomination Committee held two meetings during the Reporting Period. Details of the directors who are members of the Nomination Committee and their attendance at Nomination Committee meetings are set out in the following table:

Name	No. of meetings attended
Alan Senior (Chair) – independent non-executive director	2
Karen Gadsby – independent non-executive director	2
Brian Dawes – non-independent non-executive director	2

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

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 is structured in compliance with Recommendation 4.2.

The Audit Committee held two meetings during the Reporting Period. Details of the directors who are members of the Audit Committee, and their attendance at Audit Committee meetings are set out in the following table:

Name	No. of meetings attended
Karen Gadsby (Chair) – independent non-executive director	2
Alan Senior – independent non-executive director	2
Brian Dawes – non-independent non-executive director	2

Details of each of the director's qualifications are set out in the Directors' Report. All members of the Audit Committee are financially literate, and Karen Gadsby is a Chartered Accountant.

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

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 Procedure for the 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 is structured in accordance with Recommendation 8.2. The Remuneration Committee is (and was at all times during the Reporting Period) comprised solely of non-executive directors in compliance with Listing Rule 12.8.

The Remuneration Committee held one meeting during the Reporting Period. Details of the directors who are members of the Remuneration Committee, and their attendance at the Remuneration Committee meeting are set out in the following table:

Name	No. of meetings attended
Alan Senior (Chair) – independent non-executive director	1
Karen Gadsby – independent non-executive director	1
Brian Dawes – non-independent non-executive director	1

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. Fees for non-executive directors are 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. This policy is subject to annual review. Executive pay and reward consists 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. The grant of options is designed to recognise and reward efforts as well as provide additional incentive and is typically linked to various percentage growth targets in the Company's share price.

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. The performance of the Managing Director and senior executives are evaluated against both individual performance and overall business measures, in addition to formal discussions at Board and committee meetings as applicable. Evaluations are undertaken progressively and periodically.

During the Reporting Period an evaluation of the Managing Director and other senior executives took place in accordance with the process disclosed.

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. Evaluation of the Board, its committees and individual directors is undertaken via ongoing discussions with regard to the performance of the Board, its committees and individual directors. The Company has adopted policies and procedures concerning the evaluation and development of its directors, executives, Board and committees. Procedures include an internal Board and committee performance assessment and ongoing discussions with regard to the performance of the Board, its committees and individual directors.

During the Reporting Period an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed.

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

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

(Recommendations: 3.1, 3.5)

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 the 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's website.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company established a Diversity Policy on 30 June 2011. At this time the Diversity Policy provided that the Board may establish measurable objectives for achieving gender diversity. [This was considered appropriate whilst the Board considered the appropriateness for the Company of setting measurable objectives for achieving gender diversity.] As at 30 June 2012 the Diversity Policy includes a requirement for the Board to establish measurable objectives for achieving gender diversity and to assess annually any objectives set by the Board, and progress towards achieving them.

The following measurable objectives for achieving gender diversity have been set by the Board in accordance with the Diversity Policy:

Objective	Progress
Recognised Equal Opportunity Culture	
To maintain and improve a culture where our employees believe that Talisman has an equal opportunity culture where men and women are able to demonstrate equally their talent, commitment and results.	Via the annual staff review process, the majority of employees agree that men and women at Talisman have equal opportunity to demonstrate their talent, commitment and results.
Development of high performing Women (and other individuals)	
To ensure that high performing women (and other individuals) are identified and developed for career progression as part of the company's succession planning process.	High performing women (and other individuals) have been identified and are being actively developed for career progression. Their development is reviewed by the MD and discussed with the Remuneration Committee.
Flexible Working Arrangements	
To ensure that flexible working initiatives continue to be encouraged and supported by management and where appropriate made available to employees to achieve improved business outcomes and support work/life balance.	Flexible working arrangements have been defined in the appropriate workplace policies and/or are actively utilised as an engagement tool by management. Management feedback on usage and effectiveness is reviewed by MD annually and discussed with the Remuneration Committee.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30/06/2012 are set out in the following table:

	Proportion of women
Whole organisation	6 out of 24 (25%)
Senior Executive positions	0 out of 4 (0%)
Board	1 out of 5 (20%)

The Company's Diversity Policy 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.

A summary of the Company's Policy on Continuous Disclosure and 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 has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's 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 is used to identify the Company's material business risks, assess the severity and likelihood of each risk and promote a risk management strategy. The risk matrix is reviewed by the Board at each Board 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;
- liquidity 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 risks

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

Diamond drill rig at Springfield Project

DIRECTORS' REPORT

Your directors submit herewith the annual financial report of the consolidated entity (referred to hereafter as the Group) consisting of Talisman Mining Limited and the entities it controlled during the financial year ended 30 June 2012. 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, 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 36 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 and Amex Resources Limited (from 1 July 2012). Alan is the Chairman of the Company's Nomination and Remuneration Committees and also serves on the Company's Audit Committee. With extensive industry experience and being financially literate, Alan is considered qualified to hold these responsibilities. Alan is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Mining and Metallurgy.

Name	Particulars
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.
Graeme Cameron B. Sc Hons, MSc, MAusIMM *Appointed 17 November 2011*	**Technical Director (Executive/Non-Independent)** Graeme is a Geologist with over 20 years experience in the mineral exploration industry. During this period he has held Senior Management positions at Falcon Minerals, AngloGold Ashanti, Geoinformatics Exploration and Sons of Gwalia, exploring for large precious and base metal systems in Australia, Canada, South America and Indonesia. In particular, he has been involved in the discovery and development of several Precambrian gold and nickel deposits in the West Australian Goldfields, and the Tanami region of the Northern Territory. Graeme holds a BSc (Honours) in Geology and Geophysics from the University of Western Australia, an MSc from Edith Cowan University and is a Member of the Australian Institute of Mining and Metallurgy.
Brian Dawes B. Sc. Mining, MAusIMM(CP) *Appointed 17 June 2009*	**Non-Executive Director (Non-independent)** Brian has a mining engineering background with over 29 years experience in project development and operational roles within the mining industry across Australia and overseas, including Africa and the Middle East. Brian joined Talisman as an Executive Director on 17 June 2009 and took up a Non-Executive role on 1 July 2011. 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. Brian serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Brian is considered qualified to hold these responsibilities.

Name	Particulars
Karen Gadsby B Comm, FCA, MAICD *Appointed 3 April 2008*	**Non-Executive Director (Independent)** Karen has 28 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, Community First International Ltd and Strategen Environmental Consultants Pty 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 and serves on the Company's Nomination and Remuneration Committees. With her extensive experience in finance and also having held a number of Audit Committee positions, Karen is considered qualified to hold these responsibilities. Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.
Peter Langworthy B. Sc Hons, MAusIMM *Appointed 17 June 2009* *Resigned 9 November 2011*	**Technical Director (Executive/Non-Independent)** Peter is a Geologist with over 25 years experience in the exploration and mining industry, including senior technical, management and corporate roles. Prior to taking his 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. Peter resigned from Talisman on 9 November 2011.

The above named directors held office for the entire period except for:

Mr Graeme Cameron: appointed 17 November 2011
Mr Peter Langworthy: resigned 9 November 2011

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
Graeme Cameron	Falcon Minerals Limited	17-Feb-09	10-Oct-11
Peter Langworthy	Falcon Minerals Limited	18-Feb-08	31-Jul-09

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	3,000,000	
Brian Dawes	353,333	2,000,000	
Graeme Cameron	-	2,000,000	
Karen Gadsby	311,334	500,000	
Peter Langworthy	-	4,000,000	(i)

i. Mr Langworthy resigned as a Director on 9 November 2011. The options noted above were granted and approved by shareholders on 23 July 2009 at a general meeting of the Company.

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 6,000,000 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
Gary Lethridge (i)	3,000,000	Talisman Mining Limited	3,000,000
Graeme Cameron (ii)	2,000,000	Talisman Mining Limited	2,000,000
Peter Cash (iii)	1,000,000	Talisman Mining Limited	1,000,000

i. 750,000 options vested 18 May 2012; 750,000 options vest 17 November 2012; 750,000 options vest 18 May 2013; and 750,000 vest 17 November 2013.

ii. 200,000 options vested 31 August 2011; 200,000 options vested 31 December 2011; 200,000 options vested 30 June 2012; 200,000 options vest 31 December 2012; 200,000 options vest 30 June 2013; 250,000 options vest 13 September 2012; 250,000 options vest 15 March 2013; 250,000 options vest 13 September 2013; and 250,000 options vest 15 March 2014.

iii. 200,000 options vested 31 August 2011; 200,000 options vested 31 December 2011; 200,000 options vested 30 June 2012; 200,000 options vest 31 December 2012; and 200,000 options vest 30 June 2013.

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 10 years in the resources industry in Western Australia holding positions as 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 loss after tax of $2,270,393 (2011: profit after tax $23,086,887).

FINANCIAL POSITION

As at 30 June 2012 the Group had net assets of $51,702,268 (2011: $52,113,877) including $28,302,155 of cash and cash equivalents (2011: $43,438,770).

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

In 2004, prior to floating, Talisman granted Fortescue Metals Group (FMG) 100% of the iron ore rights associated with its Tom Price and Anticline tenements. As a result of this transaction Talisman retained the ownership of the tenements, rights to all other metals, and a royalty of $0.30 per tonne of iron ore mined from the tenements capped at $8 million.

Subsequent to the end of the financial year Talisman agreed to sell the ownership of these non-core tenements to FMG. Under the terms of this recent transaction Talisman received a cash payment of $550,000 from FMG and retained the royalty rights noted above.

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 2012.

DIVIDENDS

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

SHARE OPTIONS

Shares under option or issued on exercise of options

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

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Talisman Mining Limited	50,000	Ordinary	$1.03	14-Sep-12
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	250,000	Ordinary	$1.27	30-Nov-13
Talisman Mining Limited	200,000	Ordinary	$1.30	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	50,000	Ordinary	$1.19	14-Mar-14
Talisman Mining Limited	125,000	Ordinary	$0.90	31-Jul-14
Talisman Mining Limited	125,000	Ordinary	$0.97	31-Jul-14

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Talisman Mining Limited	125,000	Ordinary	$1.09	31-Jul-14
Talisman Mining Limited	750,000	Ordinary	$0.72	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	$0.80	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	$1.00	31-Oct-14
Talisman Mining Limited	750,000	Ordinary	$1.12	31-Oct-14
Talisman Mining Limited	450,000	Ordinary	$0.69	31-Dec-14
Talisman Mining Limited	450,000	Ordinary	$0.73	31-Dec-14
Talisman Mining Limited	500,000	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
Talisman Mining Limited	250,000	Ordinary	$1.02	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	$1.13	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	$1.41	31-Jul-15
Talisman Mining Limited	250,000	Ordinary	$1.53	31-Jul-15
Talisman Mining Limited	50,000	Ordinary	$0.44	31-Aug-15
Talisman Mining Limited	50,000	Ordinary	$0.47	31-Aug-15
Talisman Mining Limited	50,000	Ordinary	$0.49	31-Aug-15
Talisman Mining Limited	50,000	Ordinary	$0.52	31-Aug-15

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	1,000,000	Ordinary	$0.22	-

There are no unpaid amounts on the shares issued.

OPTIONS THAT EXPIRED/LAPSED

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

Issuing entity	Number of options expired/ lapsed	Class of shares	Exercise price of options	Expiry date of options	
Talisman Mining Limited	(3,000,000)	Ordinary	$0.22	31-Aug-11	
Talisman Mining Limited	(200,000)	Ordinary	$1.36	7-Jul-11	
Talisman Mining Limited	(25,000)	Ordinary	$1.14	26-Oct-11	
Talisman Mining Limited	(25,000)	Ordinary	$1.32	26-Apr-13	(i)
Talisman Mining Limited	(200,000)	Ordinary	$0.95	30-Jun-13	(i)
Talisman Mining Limited	(25,000)	Ordinary	$0.69	31-Dec-14	(i)
Talisman Mining Limited	(50,000)	Ordinary	$0.73	31-Dec-14	(i)
Talisman Mining Limited	(50,000)	Ordinary	$0.78	31-Dec-14	(i)

(i) Options expired as optionholder ceased to be an eligible person for the purpose of holding options.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings, 2 audit committee meetings, 1 remuneration committee meeting and 2 nomination committee meeting were 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	11	11	2	2	1	1	2	2
Gary Lethridge	11	11	-	2	-	1	-	2
Brian Dawes	11	11	2	2	1	1	2	2
Graeme Cameron	7	7	-	1	-	-	-	2
Karen Gadsby	11	10	2	2	1	1	2	2
Peter Langworthy	3	3	-	1	-	-	-	-

Note: Executive directors attending committee meetings during the year attended by invitation of the relevant Committee.

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 Limited.

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 42 of the annual report and forms part of the directors' 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 2012. 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
Graeme Cameron	Technical Director (appointed 17 November 2011)
Peter Langworthy	Technical Director (resigned 9 November 2011)
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director
Daniel Madden	Chief Financial Officer and Company Secretary
Peter Cash	Manager Corporate Development

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 three 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 between 135% and 300% from the date of the grant of the options.

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.

Potential discretionary bonus

A potential discretionary bonus may be paid to executive directors and other key management personnel. Any potential bonus paid is at the discretion of the Remuneration Committee and will typically be made in recognition of contribution to the Company's performance and other significant efforts of executive directors and other key management personnel in applicable and appropriate circumstances. There were no discretionary bonuses paid during or with regard to the financial year ending 30 June 2012.

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. Options issued to non-executive directors are subject to shareholder approval.

A non-executive directors' fee pool limit of $300,000 per annum was approved by the shareholders at the General Meeting on 19 May 2008 and is currently utilised to a level of $223,640 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) and will remain unchanged for the 2013 financial year.

(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 long-term employee benefits	Share-based payment		
2012	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	Options (ii) $	Total $	% of compensation linked to performance %
DIRECTORS									
Alan Senior	95,000	-	-	-	8,550	-	231,631	335,181	69%
Gary Lethridge	367,500	-	17,632	-	25,000	-	359,777	769,909	47%
Graeme Cameron	244,150	-	-	-	21,974	-	393,037	659,161	60%
Brian Dawes	68,640	-	-	-	6,177	-	-	74,817	0%
Peter Langworthy (i)	223,291	-	-	-	13,569	-	-	236,860	0%
Karen Gadsby	60,000	-	-	-	5,400	-	141,582	206,982	68%
EXECUTIVES									
Peter Cash	210,128	-	-	-	18,912	-	332,604	561,644	59%
Daniel Madden	220,000	-	-	-	19,800	-	31,625	271,425	12%
	1,488,709	-	17,632	-	119,382	-	1,490,256	3,115,979	

i. Peter Langworthy resigned on 9 November 2011 and salaries and fees detailed above include annual leave entitlements paid on termination.

ii. The value of share based payments shown in the table are non-cash values based on an accounting valuation calculated under the Black & Scholes option pricing method.

2011	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	$	Options $	$	%
DIRECTORS									
Alan Senior	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	

Incentive share based payment arrangements in existence during the financial year

During the financial year the following incentive 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 20 March 2009	17-Mar-09	31-Aug-11	$0.23	on grant date
2	Issued 20 March 2009	17-Mar-09	31-Aug-11	$0.23	30-Jun-09
3	Issued 20 March 2009	17-Mar-09	31-Aug-11	$0.23	31-Dec-09
4	Issued 23 July 2009	23-Jul-09	30-Jun-13	$0.23	on grant date
5	Issued 23 July 2009	23-Jul-09	30-Jun-13	$0.23	31-Dec-09
6	Issued 23 July 2009	23-Jul-09	30-Jun-13	$0.23	30-Jun-10
7	Issued 23 July 2009	23-Jul-09	30-Jun-13	$0.22	31-Dec-10
8	Issued 23 July 2009	23-Jul-09	30-Jun-13	$0.22	30-Jun-11
9	Issued 27 January 2010	23-Nov-09	30-Nov-13	$0.70	on grant date
10	Issued 27 January 2010	23-Nov-09	30-Nov-13	$0.70	30-Jun-10
11	Issued 27 January 2010	23-Nov-09	30-Nov-13	$0.69	31-Dec-10
12	Issued 27 January 2010	23-Nov-09	30-Nov-13	$0.67	30-Jun-11
13	Issued 27 January 2010	23-Nov-09	30-Nov-13	$0.66	31-Dec-11
14	Issued 27 January 2010	8-Jan-10	7-Jul-11	$0.50	30-Jun-10
15	Issued 14 December 2010	7-Dec-10	30-Nov-13	$0.62	on grant date
16	Issued 14 December 2010	7-Dec-10	30-Nov-13	$0.60	1-Dec-11
17	Issued 14 December 2010	7-Dec-10	30-Nov-13	$0.60	1-Jun-12
18	Issued 14 December 2010	7-Dec-10	30-Nov-13	$0.59	1-Dec-12
19	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.37	on grant date
20	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.36	17-Jul-12
21	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.36	17-Jan-13
22	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.35	17-Jul-13
23	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.41	on grant date
24	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.40	31-Dec-11
25	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	30-Jun-12
26	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	31-Dec-12
27	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	30-Jun-13
28	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.21	18-May-12
29	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.20	17-Nov-12
30	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.18	18-May-13
31	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.17	17-Nov-13
32	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.18	13-Sep-12
33	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.18	15-Mar-13
34	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.16	13-Sep-13
35	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.16	15-Mar-14

Potential value at the vesting date of options granted to directors and key management personnel is only realised by those optionholders upon increases in the Company's share price of between 135% and 300% of the 5 day volume weighted share price at the date of grant of the options and the optionholder subsequently exercise those options. This represents a performance criteria directly related to substantial share price increases prior to realisiation of potential value. Optionholders must also be either a director or employee at the time of vesting for granted options to vest. Other than the above there are no other performance criteria that need to be met in relation to options granted under series 1 to 35 before the beneficial interest vests in the recipient.

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
Karen Gadsby	19, 20, 21, 22	500,000	125,000	25%	N/A	68%
Graeme Cameron	23, 24, 25, 26, 27, 32, 33, 34, 35	2,000,000	600,000	30%	N/A	60%
Peter Cash	23, 24, 25, 26, 27	1,000,000	600,000	60%	N/A	59%
Gary Lethridge	28, 29, 30, 31	3,000,000	750,000	25%	N/A	47%

The primary purpose of the grant of share based payment compensation to key management personnel is to provide cost effective consideration for their ongoing retention, commitment and contribution to the Company. The determined fair values of share based payments contained within this Report are non-cash, inferred values and realisation of any value from the options requires significant growth in the share price between the date of grant of the options and the vesting date of the options in addition to the options then being exercised. The vesting dates of options granted as share based payments are structured to encourage and potentially reward longevity of service to the Company and realisation of value to shareholders.

Options granted to executive and non-executive directors were approved by shareholders at general meetings of the Company.

The assessed fair value at the grant date of options granted to the individuals in the above table is allocated equally over the period from the grant date to the 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.

	Option series (as per previous table)					
Inputs into model	19	20	21	22	23	24
Exercise price	$0.90	$0.97	$1.03	$1.09	$0.69	$0.73
Grant date	18-Jul-11	18-Jul-11	18-Jul-11	18-Jul-11	25-Aug-11	25-Aug-11
Expiry date	31-Jul-14	31-Jul-14	31-Jul-14	31-Jul-14	31-Dec-14	31-Dec-14
Share price at grant	$0.61	$0.61	$0.61	$0.61	$0.47	$0.47
Expected volatility (%)	112%	112%	112%	112%	121%	121%
Risk-free interest rate (%)	4.34%	4.34%	4.34%	4.34%	4.73%	4.73%

	Option series (as per previous table)					
Inputs into model	25	26	27	28	29	30
Exercise price	$0.78	$0.83	$0.85	$0.72	$0.80	$1.00
Grant date	25-Aug-11	25-Aug-11	25-Aug-11	18-Nov-11	18-Nov-11	18-Nov-11
Expiry date	31-Dec-14	31-Dec-14	31-Dec-14	31-Oct-14	31-Oct-14	31-Oct-14
Share price at grant	$0.47	$0.47	$0.47	$0.42	$0.42	$0.42
Expected volatility (%)	121%	121%	121%	104%	104%	104%
Risk-free interest rate (%)	4.73%	4.73%	4.73%	3.45%	3.45%	3.45%

	Option series (as per previous table)				
Inputs into model	31	32	33	34	35
Exercise price	$1.12	$1.02	$1.13	$1.41	$1.53
Grant date	18-Nov-11	15-Mar-12	15-Mar-12	15-Mar-12	15-Mar-12
Expiry date	31-Oct-14	31-Jul-15	31-Jul-15	31-Jul-15	31-Jul-15
Share price at grant	$0.42	$0.54	$0.54	$0.54	$0.54
Expected volatility (%)	104%	104%	104%	104%	104%
Risk-free interest rate (%)	3.45%	3.17%	3.17%	3.17%	3.17%

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

Value of options issued to directors and executives

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

Name	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse (ii) $	Total $
Karen Gadsby	180,000	-	-	180,000
Graeme Cameron	564,250	-	-	564,250
Peter Cash	396,000	-	-	396,000
Gary Lethridge	570,000	(226,180)	(678,540)	(334,720)

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 two year extension to a three year contract which commenced on 2 February 2009 and was extended under the terms of the original contract. The Technical Director, Mr Graeme Cameron's remuneration and other terms are formalised by way of a letter agreement, commencing 15 November 2011 and is ongoing. 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:

Daniel Madden Chief Financial Officer and Company Secretary
Peter Cash Manager Corporate Development

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, 4 September 2012

RC chips from Springfield Project

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 2012, 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.

Perth, Western Australia
4 September 2012

L DI GIALLONARDO
Partner, HLB Mann Judd

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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 and its controlled entities ("the group"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 group. The group 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 group'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 group'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.

Independence

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

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

INDEPENDENT AUDITOR'S REPORT (continued)

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Talisman Mining Limited for the financial year ended 30 June 2012 published in the annual report and 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 auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration 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 and remuneration report.

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 group's financial position as at 30 June 2012 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 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L DI GIALLONARDO
Partner

Perth, Western Australia
4 September 2012

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FINANCIAL REPORT

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 2012 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, 4 September 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	note	30-Jun-12 $	30-Jun-11 $
Continuing operations			
Other income	3	2,195,643	36,342,724
Employee benefits expense		(2,395,219)	(1,657,400)
Exploration expenditure expensed as incurred		(61,252)	(191,034)
Impairment of exploration expenditure	11	(127,035)	(20,619)
Occupancy expenses		(265,450)	(239,147)
Administrative expenses		(545,672)	(519,589)
Depreciation and amortisation expense		(157,318)	(106,776)
Impairment of available-for-sale financial assets	9	(1,008,500)	(2,130,000)
Disposal of fixed assets		(1,726)	-
Finance costs		-	(9)
(Loss)/Profit before income tax expense	4	**(2,366,529)**	**31,478,150**
Income tax benefit/(expense)	5	96,136	(8,391,263)
(Loss)/Profit after tax from continuing operations		**(2,270,393)**	**23,086,887**
Net (Loss)/Profit for the period		**(2,270,393)**	**23,086,887**
Other comprehensive income/loss			
Net change in the fair value of available-for-sale financial assets		(10,000)	25,000
Other comprehensive (loss)/income for the period, net of tax		**(10,000)**	**25,000**
Total comprehensive (loss)/income for the period		**(2,280,393)**	**23,111,887**
(Loss)/Earnings per share:			
Basic (loss)/earnings per share (cents per share)	16	(1.73)	19.16
Diluted earnings per share (cents per share)	16	n/a	18.49

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	note	30-Jun-12 $	30-Jun-11 $
Assets			
Current Assets			
Cash and cash equivalents	6	28,302,155	43,438,770
Trade and other receivables	7	619,837	848,105
Inventory	8	51,220	-
Total Current Assets		28,973,212	44,286,875
Non-Current Assets			
Receivables	7	82,184	82,184
Other financial assets	9	4,111,500	5,130,000
Property, plant and equipment	10	562,396	468,531
Deferred exploration and evaluation expenditure	11	22,440,304	11,476,323
Total Non-Current Assets		27,196,384	17,157,038
Total Assets		56,169,596	61,443,913
Liabilities			
Current Liabilities			
Trade and other payables	12	1,042,385	794,817
Employee benefits	13	170,188	110,712
Current tax liabilities	5	-	5,064,055
Total Current Liabilities		**1,212,573**	**5,969,584**
Non-Current Liabilities			
Deferred tax liabilities	5	3,254,755	3,360,452
Total Non-Current Liabilities		3,254,755	3,360,452
Total Liabilities		4,467,328	9,330,036
Net Assets		**51,702,268**	**52,113,877**
Equity			
Issued capital	14	37,404,278	36,958,098
Reserves	15	4,131,385	3,513,571
Retained earnings	15	10,166,605	11,642,208
Total Equity		**51,702,268**	**52,113,877**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital $	Retained Earnings $	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	-	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	-	52,113,877
Balance at 1 July 2011	36,958,098	11,642,208	10,000	3,503,571	-	52,113,877
Loss for the period	-	(2,270,393)	-	-	-	(2,270,393)
Net change in fair value of available-for-sale financial assets	-	-	(10,000)	-	-	(10,000)
Total comprehensive loss for the period	-	(2,270,393)	(10,000)	-	-	(2,280,393)
Shares issued during the year	220,000	-	-	-	-	220,000
Recognition of share-based payments	-	-	-	1,648,784	-	1,648,784
Transfer on exercise of options	226,180	-	-	(226,180)	-	-
Unlisted options lapsing	-	794,790	-	(794,790)	-	-
Balance at 30 June 2012	37,404,278	10,166,605	-	4,131,385	-	51,702,268

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	note	30-Jun-12 $	30-Jun-11 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		-	37,000
Payments to suppliers and employees		(1,546,706)	(1,608,327)
Finance costs		-	(9)
Interest received		2,172,427	1,331,544
Research and development tax rebate received		-	33,244
Income tax paid		(5,073,615)	-
Net cash used in operating activities	6	(4,447,894)	(206,548)
Cash flows from investing activities			
Proceeds from sale of mining tenements		-	34,250,000
Payments for property, plant and equipment		(252,910)	(335,547)
Payments for exploration and evaluation expenditure		(10,729,811)	(8,942,263)
Other proceeds		74,000	-
Net cash (used in)/provided by investing activities		(10,908,721)	24,972,190
Cash flows from financing activities			
Proceeds from issue of shares		220,000	5,011,855
Payment of finance lease liabilities		-	(509)
Net cash provided by financing activities		220,000	5,011,346
Net (decrease)/increase in cash held		(15,136,615)	29,776,988
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	6	28,302,155	43,438,770

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 Subiaco Western Australia 6008	6 Centro Avenue Subiaco 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 xx August 2012.

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 2012.

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 consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Talisman Mining Limited ('company') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Talisman Mining Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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 & 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 2012, 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. It has been determined by the Group that there is no impact material or otherwise, of these 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 year ended 30 June 2012. 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 tangible and intangible assets other than goodwill

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 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 implemented the tax consolidation legislation during the 2012 financial year. Current and deferred tax amounts are accounted for on a consolidated basis. 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.

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.

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

(i) Interests in 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) Trade and other 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- raw materials – purchase cost on a first-in, first-out basis; and
- finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Share-based payment transactions

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 & 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.

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 & 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.

(q) 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.

(r) 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.

The Group does not report diluted earnings per share on incurring an operating loss for the financial year.

(s) 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.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiary and joint venture entities are accounted for at cost in the financial statements of Talisman Mining Limited.

3. OTHER INCOME

	30-Jun-12 $	30-Jun-11 $
Bank interest receivable	2,165,545	1,479,610
Profit from sale of Wonmunna and Uaroo iron ore projects	-	34,826,114
Other income	30,098	37,000
	2,195,643	36,342,724

4. EXPENSES

	30-Jun-12 $	30-Jun-11 $
(Loss)/profit for the year includes the following expenses:		
Share based payment expense	1,648,784	867,501
Operating lease rental expense	251,138	219,935

5. INCOME TAX

	30-Jun-12 $	30-Jun-11 $
Income tax recognised in profit or loss		
The major components of tax expense are:		
Current tax (benefit)/expense	(96,136)	8,391,263
Total tax (benefit)/expense	(96,136)	8,391,263
Attributable to:		
Continuing operations	(96,136)	8,391,263

	30-Jun-12 $	30-Jun-11 $
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 (loss)/profit before income tax	(2,366,529)	31,478,150
Income tax (benefit)/expense calculated at 30%	(709,959)	9,443,444
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share-based payments	494,635	260,250
Impairment expense	302,550	639,000
Other	(12,877)	(18,667)
Adjustment in respect of current income tax of previous year	9,560	-
Effect of tax concessions (R&D benefit)	-	(33,244)
Movement in current year temporary differences	(3,457,758)	(781,437)
Effect of unused losses not recognised as deferred tax assets	3,277,713	-
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 (benefit)/expense reported in the statement of comprehensive income	(96,136)	8,391,263

	30-Jun-12 $	30-Jun-11 $
Current tax liabilities comprise:		
Income tax expense/(benefit) reported in the statement of comprehensive income	-	8,391,263
Tax effect of previously unrecognised deferred tax liabilities	-	(3,360,452)
Plus R&D concessions received	-	33,244
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.

	30-Jun-12 $	30-Jun-11 $
Deferred tax liabilities		
Opening balance	3,360,452	-
Temporary differences arising from exploration	3,289,194	3,442,897
Carry forward losses from current year not recognised as deferred tax assets	(3,277,713)	-
Deductible temporary differences	(117,178)	(82,445)
	3,254,755	3,360,452

	30-Jun-12 $	30-Jun-11 $
Unrecognised deferred tax assets		
A deferred tax asset has not been recognised in respect of the following item:		
Impairment of available-for-sale financial assets	941,550	639,000

	30-Jun-12 $	30-Jun-11 $
Income tax expense not recognised in equity		
Share issue costs	492,639	492,639

6. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

	30-Jun-12 $	30-Jun-11 $
Cash at bank and on hand	1,082,155	1,062,150
Short-term deposits	27,220,000	42,376,620
	28,302,155	43,438,770

(b) Non-cash financing and investing activities

	30-Jun-12 $	30-Jun-11 $
Available for sale investment acquired as part consideration from sale of Wonmunna and Uaroo iron ore projects	-	7,100,000

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

	30-Jun-12 $	30-Jun-11 $
(Loss)/profit for the year after tax	(2,270,393)	23,086,887
Profit on sale of mining tenements	-	(34,826,114)
Impairment of available-for-sale financial assets	1,008,500	2,130,000
Depreciation	157,318	106,776
Exploration expenditure expensed as incurred	61,252	210,246
Impairment of exploration	127,035	20,619
Disposal of fixed assets	1,726	-
Equity settled share-based payments	1,648,784	867,501
Changes in net assets and liabilties		
(Increase)/decrease in assets		
Trade and other receivables	(3,397)	(121,645)
Increase/(decrease) in liabilities		
Trade and other payables	(68,444)	(165,201)
Provisions	59,476	59,876
Tax provisions	(5,064,055)	5,064,055
Deferred tax liability	(105,696)	3,360,452
Net cash used in operating activities	(4,447,894)	(206,548)

7. TRADE AND OTHER RECEIVABLES

	30-Jun-12 $	30-Jun-11 $
Current		
Goods and services tax recoverable	-	364,219
Other debtors	189,795	155,366
Other debtors - security bonds	128,000	90,442
Prepayments and accrued income	302,042	238,078
	619,837	848,105
Non Current		
Other debtors - security bonds	82,184	82,184

8. INVENTORIES

	30-Jun-12 $	30-Jun-11 $
Consumables at cost	51,220	-

9. OTHER FINANCIAL ASSETS

	30-Jun-12 $	30-Jun-11 $
Non Current		
Available-for-sale listed investments carried at fair value	4,111,500	5,130,000

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.

At year end, an assessment of the fair value of all available-for-sale investments resulted in an impairment loss of $1,008,500 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment $	Leasehold Improvements $	Motor vehicles $	Total $
Year ended 30 June 2012				
At 1 July 2011, net of accumulated depreciation	328,156	43,220	97,155	468,531
Additions	86,988	23,241	142,680	252,909
Disposals	(1,726)	-	-	(1,726)
Depreciation charge for the year	(125,185)	(8,723)	(23,410)	(157,318)
	288,233	57,738	216,425	562,396
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
At 30 June 2012				
Cost or fair value	643,664	68,161	286,895	998,720
Accumulated depreciation	(355,431)	(10,423)	(70,470)	(436,324)
Net carrying amount	288,233	57,738	216,425	562,396
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

The carrying value of plant and equipment held under finance lease and hire purchase contracts as at 30 June 2012 is nil (2011: nil).

11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30-Jun-12 $	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	11,091,016	8,894,961
Acquisition of projects	-	66,298
	22,567,339	11,496,942
Expenditure written off	(127,035)	(20,619)
	22,440,304	11,476,323

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.

12. TRADE AND OTHER PAYABLES

	30-Jun-12 $	30-Jun-11 $
Current		
Trade payables	775,207	692,553
Accruals	193,178	7,099
Other payables	74,000	95,165
	1,042,385	794,817

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

13. EMPLOYEE BENEFITS

	30-Jun-12 $	30-Jun-11 $
Current		
Employee benefits	170,188	110,712

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

14. ISSUED CAPITAL

	30-Jun-12 $	30-Jun-11 $
Ordinary shares		
Issued and fully paid	37,404,278	36,958,098

	30-Jun-12		30-Jun-11	
	No.	$	No.	$
Movements in ordinary shares on issue				
At 1 July	130,538,627	36,958,098	105,823,858	31,464,410
Exercise of listed options at 20 cents	-	-	22,836,769	4,567,354
Exercise of listed options at 22 cents	1,000,000	220,000	-	-
Exercise of unlisted options at 25 cents	-	-	1,778,000	444,502
Shares issued to acquire exploration tenements	-	-	100,000	68,000
Transfer from share based payment reserve	-	226,180	-	256,289
Transfer from option premium reserve	-	-	-	157,543
At 30 June	131,538,627	37,404,278	130,538,627	36,958,098

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

	30-Jun-12		30-Jun-11	
	No.	$	No.	$
Movements in options over ordinary shares on issue				
At 1 July	12,550,000	3,503,571	44,604,996	5,760,532
Directors' remuneration	5,500,000	1,126,027	1,000,000	596,599
Employees' remuneration	1,325,000	522,757	100,000	270,902
Transfer on exercise of unlisted options	(1,000,000)	(226,180)	(1,778,000)	(256,289)
Unlisted options lapsing	(3,225,000)	(794,790)	(8,428,000)	(2,710,630)
Transfer on exercise of listed options	-	-	(22,836,769)	(157,543)
Listed options lapsing	-	-	(112,227)	-
At 30 June	15,150,000	4,131,385	12,550,000	3,503,571

Share options are exercisable on a 1:1 basis at various exercise prices. The options expire between 14/09/2012 and 31/07/15. 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-12 $	30-Jun-11 $
Retained Earnings		
Balance at beginning of financial year	11,642,208	(14,155,309)
Net (loss)/gain for the year	(2,270,393)	23,086,887
Transfer on expiry of unexercised options	794,790	2,710,630
Balance at end of financial year	10,166,605	11,642,208

	30-Jun-12 $	30-Jun-11 $
Reserves		
Asset revaluation reserve	-	10,000
Share based payment reserve	4,131,385	3,503,571
Balance at end of financial year	4,131,385	3,513,571

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.

16. EARNINGS PER SHARE

Basic earnings per share

	30-Jun-12 cents per share	30-Jun-11 cents per share
Basic (loss)/earnings per share	(1.73)	19.16
	$	$
Net (loss)/profit for the period	(2,270,393)	23,086,887
	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	131,371,504	120,492,075

Diluted earnings per share

	30-Jun-12 cents per share	30-Jun-11 cents per share
Diluted earnings per share	n/a	18.49

Note: Diluted (loss)/earnings per share was not calculated for the year ended 30 June 2012 as the company was in a loss making situation which did not increase the loss per share.

The earnings and weighted average number of ordinary shares used in the calculation of 2011 diluted earnings per share is as follows:

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

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-12 No.	30-Jun-11 No.
Weighted average number of shares used in the calculation of basic earnings per share	131,371,504	120,492,075
Shares deemed to be issued for no consideration	-	4,339,865
	131,371,504	124,831,941

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

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

17. COMMITMENTS AND CONTINGENCIES

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-12 $	30-Jun-11 $
Exploration expenditure		
Within one year	874,103	1,148,858
After one year but not more than five years	1,552,370	3,253,485
Greater than five years	-	4,515
	2,426,473	4,406,858

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.

During the year, the Company entered into a farm-in agreement whereby it acquired the right to earn a 60% interest in the Doolgunna West Copper-Gold Project from Chrysalis Resources Ltd. Under the terms of the agreement, the Company has the right to earn a 60% interest in the Doolgunna West project by spending $500,000 on exploration within three years and the Company must spend a minimum of $150,000 on exploration within the first 12 months.

After expenditure of the initial $150,000 Talisman can elect to either:

i. withdraw from the farm-in arrangement with no further commitment; or

ii. expend a further $350,000 within the next 2 years in order to earn a 60% interest in the Doolgunna West Project.

Once the Comany has earned a 60% joint venture interest, Chrysalis Resources Ltd will have the right to maintain its 40% interest by contributing to exploration expenditure on a pro rata basis or dilute on an industry standard basis. Under the terms of the agreement the Company will manage all exploration activities during the farm-in period and will also be the Joint Venture Manager, as it will be the majority holder of the project.

Operating Leases
Operating lease arrangements comprise an agreement for the rental of office space with a lease term of 2 years.

	30-Jun-12 $	30-Jun-11 $
Non-cancellable operating lease commitments		
Within one year	249,551	239,355
After one year but not more than five years	259,874	44,745
Greater than five years	-	-
	509,425	284,100

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-12 $	30-Jun-11 $
Financial assets		
Receivables	702,021	930,289
Cash and cash equivalents	28,302,155	43,438,770
Available-for-sale investments	4,111,500	5,130,000
	33,115,676	49,499,059
Financial liabilities		
Trade and other payables	1,042,384	794,817
Other financial liabilities	170,188	110,712
	1,212,572	905,529

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 $1,008,500 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.

	Less than 1 month $	1-3 months $	3 months to 1 Year $	1-5 years $	5 plus years $	No fixed term $	Total $
2012							
Financial Assets							
Non-interest bearing	499	-	-	-	-	-	499
Variable interest rate	1,081,656	-	-	-	-	-	1,081,656
Fixed interest rate	9,634,692	17,824,088	123,327	150,000	-	-	27,732,107
	10,716,847	17,824,088	123,327	150,000	-	-	28,814,262
Financial Liabilities							
Non-interest bearing	968,386	-	170,188	-	-	-	1,138,574
Fixed interest rate	-	-	-	-	-	-	-
	968,386	-	170,188	-	-	-	1,138,574

	Less than 1 month $	1-3 months $	3 months to 1 Year $	1-5 years $	5 plus years $	No fixed term $	Total $
2011							
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

(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 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 loss would have reduced by $141,508 (2011 profit increased by $217,192).

(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 2012 and 30 June 2011.

	Level 1 $	Level 2 $	Level 3 $	Total $
2012				
Assets				
Available-for-sale financial assets	4,111,500	-	-	4,111,500

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

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.

Incentive 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	2,000,000	17-Mar-09	31-Aug-11	0.22	0.23
2	1,000,000	17-Mar-09	31-Aug-11	0.22	0.23
3	1,000,000	17-Mar-09	31-Aug-11	0.22	0.23
4	750,000	23-Jul-09	30-Jun-13	0.50	0.23
5	1,500,000	23-Jul-09	30-Jun-13	0.50	0.23
6	1,500,000	23-Jul-09	30-Jun-13	0.60	0.23
7	1,500,000	23-Jul-09	30-Jun-13	0.70	0.22
8	750,000	23-Jul-09	30-Jun-13	0.70	0.22
9	200,000	23-Nov-09	30-Nov-13	1.00	0.70
10	200,000	23-Nov-09	30-Nov-13	1.00	0.70
11	200,000	23-Nov-09	30-Nov-13	1.10	0.69
12	200,000	23-Nov-09	30-Nov-13	1.20	0.67
13	200,000	23-Nov-09	30-Nov-13	1.30	0.66
14	50,000	7-Dec-09	30-Jun-13	0.95	0.56
15	50,000	7-Dec-09	30-Jun-13	0.95	0.56
16	50,000	7-Dec-09	30-Jun-13	0.95	0.56
17	50,000	7-Dec-09	30-Jun-13	0.95	0.56
18	212,500	8-Jan-10	7-Jul-11	1.36	0.50
19	25,000	27-Apr-10	26-Oct-11	1.14	0.50
20	25,000	27-Apr-10	26-Apr-13	1.32	0.56
21	250,000	7-Dec-10	30-Nov-13	1.27	0.62
22	250,000	7-Dec-10	30-Nov-13	1.35	0.60
23	250,000	7-Dec-10	30-Nov-13	1.44	0.60
24	250,000	7-Dec-10	30-Nov-13	1.53	0.59

Incentive share based payment arrangements in existence during the period (continued):

Option Series	Number	Grant date	Expiry date	Exercise price $	Fair Value at grant date $
25	50,000	14-Mar-11	14-Sep-12	1.03	0.42
26	50,000	14-Mar-11	14-Mar-14	1.19	0.54
27	125,000	18-Jul-11	31-Jul-14	0.90	0.37
28	125,000	18-Jul-11	31-Jul-14	0.97	0.36
29	125,000	18-Jul-11	31-Jul-14	1.03	0.36
30	125,000	18-Jul-11	31-Jul-14	1.09	0.35
31	50,000	31-Jul-11	31-Dec-14	0.78	0.48
32	400,000	25-Aug-11	31-Dec-14	0.69	0.41
33	400,000	25-Aug-11	31-Dec-14	0.73	0.40
34	400,000	25-Aug-11	31-Dec-14	0.78	0.39
35	400,000	25-Aug-11	31-Dec-14	0.83	0.39
36	400,000	25-Aug-11	31-Dec-14	0.85	0.39
37	75,000	31-Jul-11	31-Dec-14	0.69	0.49
38	100,000	31-Jul-11	31-Dec-14	0.73	0.49
39	100,000	31-Jul-11	31-Dec-14	0.78	0.48
40	750,000	18-Nov-11	31-Oct-14	0.72	0.21
41	750,000	18-Nov-11	31-Oct-14	0.80	0.20
42	750,000	18-Nov-11	31-Oct-14	1.00	0.18
43	750,000	18-Nov-11	31-Oct-14	1.12	0.17
44	250,000	15-Mar-12	31-Jul-15	1.02	0.18
45	250,000	15-Mar-12	31-Jul-15	1.13	0.18
46	250,000	15-Mar-12	31-Jul-15	1.41	0.16
47	250,000	15-Mar-12	31-Jul-15	1.53	0.16

Vesting dates of option series

1, 4, 9, 14, 21, 27 and 32:	Options vested at date of issue
2:	Options vested 30 June 2009 (options expired during the financial year)
3 and 5:	Options vested 31 December 2009 (series 3 were exercised during the financial year)
6, 10, 15, 18 and 19:	Options vested 30 June 2010 (series 18 and 19 expired during the financial year)
7, 11 and 16:	Options vested 31 December 2010
8, 12, 17 and 20:	Options vested 30 June 2011
25:	Options vested 31 August 2011
22:	Options vested 1 December 2011
13, 33 and 37:	Options vested 31 December 2011
40:	Options vested 18 May 2012
23:	Options vested 1 June 2012
34 and 38:	Options vested 30 June 2012
28:	Options vest 17 July 2012
26:	Options vest 31 August 2012
44:	Options vest 13 September 2012
41:	Options vest 17 November 2012
24:	Options vest 1 December 2012
35, 39 and 42:	Options vest 31 December 2012

29: Options vest 17 January 2013

45: Options vest 15 March 2013

42: Options vest 18 May 2013

36: Options vest 30 June 2013

30: Options vest 17 July 2013

46: Options vest 13 September 2013

43: Options vest 17 November 2013

47: Options vest 15 March 2014

The fair value of the share options granted during the financial year is $1,868,350 (2011: $651,000). 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 list the inputs to the model for options issued in the year:

Inputs into model	Option series						
	27	28	29	30	31	32	33
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	112%	112%	112%	112%	140%	121%	121%
Risk-free interest rate (%)	4.34%	4.34%	4.34%	4.34%	4.96%	4.73%	4.73%
Expected life of option (yrs)	3.04	3.04	3.04	3.04	3.42	3.35	3.35
Exercise price	$0.90	$0.97	$1.03	$1.09	$0.78	$0.69	$0.73
Grant date share price	$0.61	$0.61	$0.61	$0.61	$0.62	$0.47	$0.47

Inputs into model	Option series						
	34	35	36	37	38	39	40
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	121%	121%	121%	121%	121%	121%	104%
Risk-free interest rate (%)	4.73%	4.73%	4.73%	3.71%	3.71%	3.71%	3.45%
Expected life of option (yrs)	3.35	3.35	3.35	3.42	3.42	3.42	2.95
Exercise price	$0.78	$0.83	$0.85	$0.69	$0.73	$0.78	$0.72
Grant date share price	$0.47	$0.47	$0.47	$0.62	$0.62	$0.62	$0.42

Inputs into model	Option series						
	41	42	43	44	45	46	47
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	104%	104%	104%	104%	104%	104%	104%
Risk-free interest rate (%)	3.45%	3.45%	3.45%	3.17%	3.17%	3.17%	3.17%
Expected life of option (yrs)	2.95	2.95	2.95	3.38	3.38	3.38	3.38
Exercise price	$0.80	$1.00	$1.12	$1.02	$1.13	$1.41	$1.53
Grant date share price	$0.42	$0.42	$0.42	$0.54	$0.54	$0.54	$0.54

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

	30-Jun-12		30-Jun-11	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	12,550,000	0.61	29,488,250	0.68
Granted during the year	6,825,000	0.92	1,100,000	1.37
Exercised during the year	(1,000,000)	0.02	(9,610,250)	0.21
Expired during the year	(3,225,000)	0.08	(8,428,000)	1.40
Outstanding at the end of the year	15,150,000	0.84	12,550,000	0.61
Exercisable at end of the financial year	10,275,000	0.75	11,500,000	0.54

The weighted average fair value of options granted during the year was $0.27.

Exercised during the financial year
The following options were exercised during the year:

i. 1,000,000 options exercised from series 3 on 31 August 2011 for an exercise price of $0.22 per share. The share price at this date was $0.47.

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 1.72 years (2011 1.45 years). The range of exercises prices for options outstanding at the end of the year was $0.22 - $1.53 (2011: $0.22 - $1.53).

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	Non-Executive Director
Graeme Cameron	Technical Director (appointed 17 November 2011)
Karen Gadsby	Non-Executive Director
Peter Langworthy	Technical Director (resigned 9 November 2011)

Executives

Daniel Madden	Chief Financial Officer and Company Secretary
Peter Cash	Manager Corporate Development

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

	Opening balance 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.
2012						
Directors						
Alan Senior	116,666	N/A	-	-	N/A	116,666
Gary Lethridge	666,667	N/A	1,000,000	-	N/A	1,666,667
Brian Dawes	353,333	N/A	-	-	N/A	353,333
Peter Langworthy (i)	666,667	N/A	-	(666,667)	666,667	-
Graeme Cameron	-	N/A	-	-	N/A	-
Karen Gadsby	311,334	N/A	-	-	N/A	311,334
Executives						
Daniel Madden	-	-	-	-	N/A	-
Peter Cash	-	-	-	-	N/A	-
Total	2,114,667	-	1,000,000	(666,667)	666,667	2,448,000

	Opening balance 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.
2011						
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

i. Mr Peter Langworthy resigned as a Director on 9 November 2011.

Option holdings of Key Management Personnel

	Opening balance 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.
2012									
Directors									
Alan Senior	1,000,000	-	-	-	N/A	1,000,000	-	500,000	750,000
Gary Lethridge	4,000,000	3,000,000	-	(4,000,000)	N/A	3,000,000	-	750,000	750,000
Brian Dawes	2,000,000	-	-	-	N/A	2,000,000	-	-	2,000,000
Graeme Cameron	-	2,000,000	-	-	N/A	2,000,000	-	600,000	600,000
Karen Gadsby	-	500,000	-	-	N/A	500,000	-	125,000	125,000
Peter Langworthy (i)	4,000,000	-	-	-	N/A	4,000,000		-	4,000,000
Executives									
Daniel Madden	1,000,000	-	-	-	N/A	1,000,000	-	200,000	1,000,000
Peter Cash	-	1,000,000	-	-	N/A	1,000,000	-	-	600,000
Total	12,000,000	6,500,000	-	(4,000,000)	-	14,500,000	-	2,175,000	9,825,000
2011									
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)	(6,330,000)	-	12,100,000	-	2,900,000	11,150,000

i. Mr Peter Langworthy resigned as a Director on 9 November 2011. Mr Langworthy's options noted above were granted and approved by shareholders on 23 July 2009 at a general meeting of the company

Further details of the employee share option plan and of share options granted during the 2012 and 2011 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 2012 and 2011 financial years.

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 2012 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 2012 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below.

Financial Position

	30-Jun-12 $	30-Jun-11 $
Assets		
Current assets	28,973,203	44,285,164
Non-current assets	27,271,804	17,220,861
Total assets	56,245,007	61,506,025
Liabilities		
Current liabilities	1,212,561	5,969,572
Non-current liabilities	3,254,756	3,360,452
Total liabilities	4,467,317	9,330,024
Net assets	51,777,690	52,176,001
Equity		
Issued capital	37,404,278	36,958,098
Reserves		
Asset revaluation reserve	-	10,000
Share based payment reserve	4,131,385	3,503,571
Retained earnings	10,242,027	11,704,332
Total equity	51,777,690	52,176,001

Financial Performance

	Year Ended 30-Jun-12 $	Year Ended 30-Jun-11 $
(Loss)/profit for the year	(2,283,691)	23,024,775
Net change in the fair value of available for sale financial assets	(10,000)	25,000
Total comprehensive (loss)/income	(2,293,691)	23,049,775

Commitments for expenditure by the parent entity

	30-Jun-12 $	30-Jun-11 $
Exploration expenditure		
Within one year	572,103	676,858
After one year but not more than five years	551,860	1,440,167
Greater than five years	-	1,512
	1,123,963	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:

Name	Country of Incorporation	% Equity Interest		Investment $	
		2012	2011	2012	2011
Talisman A Pty Ltd	Australia	100	100	10	10
Haverford Holdings Pty Ltd	Australia	100	100	68,000	68,000

Talisman Mining Limited 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-12 $	30-Jun-11 $
Audit or review of the financial report	29,700	25,815

26. EVENTS SUBSEQUENT TO REPORTING DATE

In 2004, prior to floating, Talisman granted Fortescue Metals Group (FMG) 100% of the iron ore rights associated with its Tom Price and Anticline tenements. As a result of this transaction Talisman retained the ownership of the tenements, rights to all other metals, and a royalty of $0.30 per tonne of iron ore mined from the tenements capped at $8 million.

Subsequent to the end of the financial year Talisman agreed to sell the ownership of these non-core tenements to FMG. Under the terms of this recent transaction Talisman received a cash payment of $550,000 from FMG and retained the royalty rights noted above.

ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 23 AUGUST 2012

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	111,978	183
1,001 to 5,000	2,161,956	671
5,001 to 10,000	4,065,308	468
10,001 to 100,000	29,423,437	857
100,001 and Over	95,775,948	179

(b) Voting rights

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.

(c) Less than marketable parcel of shares

The number of shareholders holding less than a marketable parcel is 283 (holding a total of 244,941 shares) given a share value of $0.29 cents per share.

(d) Substantial Shareholdings:

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

Set out above is an extract from the Company's register of last substantial shareholder notices as received by the Company and/or lodged at the ASX. Shareholdings and percentages reported in the table are as reported in the most recent notifications received, however these may differ from current holdings as substantial holders are required to notify the Company only in respect of changes which act to increase or decrease their percentage holding by at least 1% of total voting rights.

2. COMPANY SECRETARY

The name of the company secretary is Daniel Madden.

3. REGISTERED OFFICE AND PRINCIPLE ADMINISTRATIVE OFFICE

Registered and principle 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		Number	%
Rank	**Name**	**Number**	**%**
1	UBS Wealth Management Australia Nominees Pty Ltd	7,936,787	6.03%
2	Equity Trustees Limited	6,550,000	4.98%
3	Tyche Holdings Pty Ltd	6,400,001	4.87%
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	3,078,040	2.34%
8	NK WA Pty Ltd	2,940,000	2.24%
9	Hawera Pty Ltd	2,383,333	1.81%
10	Colbern Fiduciary Nominees Pty Ltd	2,109,340	1.60%
11	Frollo Enterprises Limited	2,000,000	1.52%
12	Arcaro Holdings Pty Ltd	1,530,001	1.16%
13	Lujeta Pty Ltd	1,480,000	1.13%
14	Harman Nominees Pty Ltd	1,458,000	1.11%
15	Mr Paul Rozier Oost & Mrs Janine Lee Oost	1,230,000	0.94%
16	Bitutti Pty Ltd	1,100,000	0.84%
17	Mrs Jasmine Kailis	1,054,432	0.80%
18	Mr Gary Lethridge	1,000,000	0.76%
18	Delta Sales Pty Ltd	1,000,000	0.76%
18	Fats Pty Ltd	1,000,000	0.76%
19	Harman Nominees Pty Ltd	971,111	0.74%
20	Citicorp Nominees Pty Ltd	911,957	0.69%

7. UNQUOTED EQUITY SECURITIES

Class	Exercise Price	Expiry Date	Unlisted Options	
			Number	Number of Holders
Unlisted Options	$0.44	31-Aug-15	50,000	2
Unlisted Options	$0.47	31-Aug-15	50,000	2
Unlisted Options	$0.49	31-Aug-15	50,000	2
Unlisted Options	$0.50	30-Jun-13	2,250,000	2
Unlisted Options	$0.52	31-Aug-15	50,000	2
Unlisted Options	$0.60	30-Jun-13	1,500,000	2
Unlisted Options	$0.69	31-Dec-14	450,000	3
Unlisted Options	$0.70	30-Jun-13	2,250,000	3
Unlisted Options	$0.72	31-Oct-14	750,000	1
Unlisted Options	$0.73	31-Dec-14	450,000	3
Unlisted Options	$0.78	31-Dec-14	500,000	4
Unlisted Options	$0.80	31-Oct-14	750,000	1
Unlisted Options	$0.83	31-Dec-14	400,000	2
Unlisted Options	$0.85	31-Dec-14	400,000	2
Unlisted Options	$0.90	31-Jul-14	125,000	1
Unlisted Options	$0.97	31-Jul-14	125,000	1
Unlisted Options	$1.00	30-Nov-13	200,000	1
Unlisted Options	$1.00	30-Nov-13	200,000	1
Unlisted Options	$1.00	31-Oct-14	750,000	1
Unlisted Options	$1.02	31-Jul-15	250,000	1
Unlisted Options	$1.03	14-Sep-12	50,000	1
Unlisted Options	$1.03	31-Jul-14	125,000	1
Unlisted Options	$1.09	31-Jul-14	125,000	1
Unlisted Options	$1.10	30-Nov-13	200,000	1
Unlisted Options	$1.12	31-Oct-14	750,000	1
Unlisted Options	$1.13	31-Jul-15	250,000	1
Unlisted Options	$1.19	14-Mar-14	50,000	1
Unlisted Options	$1.20	30-Nov-13	200,000	1
Unlisted Options	$1.27	30-Nov-13	250,000	1
Unlisted Options	$1.30	30-Nov-13	200,000	1
Unlisted Options	$1.35	30-Nov-13	250,000	1
Unlisted Options	$1.41	31-Jul-15	250,000	1
Unlisted Options	$1.44	30-Nov-13	250,000	1
Unlisted Options	$1.53	30-Nov-13	250,000	1
Unlisted Options	$1.53	31-Jul-15	250,000	1

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.

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