



Talisman Mining Limited

ABN 71 079 536 495

**Financial report for the half-year ended
31 December 2012**

Corporate Directory

Board of Directors

Mr Alan Senior

Mr Gary Lethridge

Mr Graeme Cameron

Mr Brian Dawes

Ms Karen Gadsby

Non-Executive Chairman

Managing Director

Technical Director

Non-Executive Director

Non-Executive Director

Company Secretary

Mr Daniel Madden (ACA)

Registered & Principal Office

Ground Floor, 6 Centro Avenue

Subiaco WA 6008

Tel + 61 8 9380 4230

Fax + 61 8 9382 8200

Website: www.talismanmining.com.au

Auditors

HLB Mann Judd

Level 4, 130 Stirling Street

Perth WA 6000

Share Registry

Link Market Services

Ground Floor, 178 St Georges Terrace

Perth WA 6000

Telephone + 1300 554 474

Securities Exchange Listing

Australian Securities Exchange Limited

Level 8, Exchange Plaza

2 The Esplanade

Perth WA 6000

ASX Code: TLM

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Directors' Report

The directors of Talisman Mining Limited (the Company) submit the financial report of the consolidated entity (referred to hereafter as the Group) for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Alan Senior	Non-Executive Chairman
Gary Lethridge	Managing Director
Graeme Cameron	Technical Director
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director

2012 Half Year Review of Operations

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

Doolgunna Copper-Gold Projects

Springfield Project

During the half year exploration activities at the Springfield project were focused predominantly on drilling programs at the Homer, Central and Monty Trends and consisted of a combination of RC and Diamond drilling.

Initial reconnaissance RC drilling was completed at the Abraham Prospect to test several copper-gold in-soil geochemical anomalies identified from a detailed soil sampling programme.

In addition to the Abraham RC drilling, an extensive reconnaissance geochemical aircore and RAB drilling program was completed over the eastern extension of the Southern Volcanics as an initial test for base metal and gold anomalism under extensive alluvial cover.

Detailed surface geological mapping was also completed over the Central Corridor and Abraham Trends to assist in defining key structural controls and potential prospective horizons.

Halloween Copper-Gold Project

An in-fill phase of Reverse Circulation (RC) drilling was completed to help better define and extend known gold mineralisation.

Subsequent drill hole targeting was assisted by the compilation of a detailed 3D geological and geochemical model during the half year and four deep diamond holes and two deep RC holes were drilled later in the second quarter of the half year to test the down-plunge and western extents of the defined copper-gold mineralised zone along a prospective 800m long basaltic volcanic sedimentary horizon.

Halloween West Copper-Gold Project

During the half year Talisman completed a detailed 100m x 25m soil geochemical program covering the prospective Halloween West sediment horizon and a ground fixed-loop electromagnetic (EM) survey was also completed over the prospective horizon within the project.

A 1,750m, 13-hole reverse circulation (RC) drilling program, representing the first phase of drilling to be conducted by Talisman at the Halloween West JV project, was also undertaken during the half year.

As at 31 December 2012, Talisman had fulfilled its minimum expenditure commitment and consequently earned the right to be transferred a 60% interest in the Halloween West Project. A Joint Venture between Talisman and Chrysalis Resources will now be established.

Milgun Project

During the half year, an internal technical review was completed over the Milgun Project which is interpreted to be located within a tectonically uplifted block of Bryah basement rocks containing highly prospective Narracoota volcanic rocks.

Livingstone and Muddawerrie Gold Projects

A systematic technical review commenced during the half year with a view to evaluating the structural setting of the project and its prospectivity.

Shelby Project (Iron-Oxide-Copper-Gold)

Previous drilling at the Shelby Project identified strong IOCG-style magnetite alteration (and minor chalcopyrite) associated with ultra-mafic intrusions beneath younger cover. Detailed magnetic data was reviewed during the half year and several magnetic anomalies have been identified along a major regional structure that may be associated with similar intrusive bodies.

These anomalies have subsequently been modelled to determine their attitude, depth and significance with respect to hosting possible IOCG-style mineralisation.

Corporate

At half-year end, the Group had a cash position of \$21.85 million which provides appropriate resources for the systematic evaluation of its current exploration assets, as well as a platform to identify and pursue new growth opportunities.

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

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2012.

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



.....
Gary Lethridge
Managing Director
12 February 2013



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AUDITOR'S INDEPENDENCE DECLARATION

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

Perth, Western Australia
12 February 2013

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner, HLB Mann Judd

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Note	Half year to 31-Dec-12 \$	Half year to 31-Dec-11 \$
Continuing operations			
Other income	2	943,540	1,216,993
Employee benefits expense	2	(768,809)	(1,370,654)
Exploration expenditure expensed as incurred		(2,558)	(47,601)
Impairment of exploration expenditure		-	-
Occupancy expenses		(148,364)	(134,472)
Administrative expenses		(237,428)	(313,580)
Depreciation and amortisation expense		(86,880)	(78,018)
Impairment of available-for-sale financial assets		(2,392,500)	(84,000)
Loss before income tax		(2,692,999)	(811,332)
Income tax (expense)/benefit		(123,732)	88,891
Loss after tax from continuing operations		(2,816,731)	(722,441)
Net loss for the period		(2,816,731)	(722,441)
Other comprehensive (loss)/income			
Net change in the fair value of available-for-sale financial assets		-	(10,000)
Other comprehensive (loss)/income for the period, net of tax		-	(10,000)
Total comprehensive loss for the period		(2,816,731)	(732,441)
Loss per share:			
Basic loss per share (cents per share)		(2.14)	(0.55)
Diluted earnings per share (cents per share)		n/a	n/a

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31-Dec-12 \$	30-Jun-12 \$
Assets			
Current Assets			
Cash and cash equivalents		21,853,558	28,302,155
Trade and other receivables		709,305	619,837
Inventory		37,449	51,220
Total Current Assets		22,600,312	28,973,212
Non-Current Assets			
Receivables		70,184	82,184
Other financial assets		1,719,000	4,111,500
Property, plant and equipment		487,958	562,396
Deferred exploration and evaluation expenditure	3	28,666,763	22,440,304
Total Non-Current Assets		30,943,905	27,196,384
Total Assets		53,544,217	56,169,596
Liabilities			
Current Liabilities			
Trade and other payables		705,596	1,042,385
Employee benefits		209,110	170,188
Current tax liabilities		-	-
Total Current Liabilities		914,706	1,212,573
Non-Current Liabilities			
Deferred tax liabilities		3,378,488	3,254,755
Total Non-Current Liabilities		3,378,488	3,254,755
Total Liabilities		4,293,194	4,467,328
Net Assets		49,251,023	51,702,268
Equity			
Issued capital	4	37,404,278	37,404,278
Reserves		4,288,971	4,131,385
Retained earnings		7,557,774	10,166,605
Total Equity		49,251,023	51,702,268

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Share-based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2011	36,958,098	11,642,208	10,000	3,503,571	52,113,877
Loss for the period	-	(722,441)	-	-	(722,441)
Net change in fair value of available-for-sale financial assets	-	-	(10,000)	-	(10,000)
Total comprehensive loss for the period	-	(722,441)	(10,000)	-	(732,441)
Shares issued during the half-year	220,000	-	-	-	220,000
Recognition of share-based payments	-	-	-	959,597	959,597
Transfer on exercise of options	226,180	-	-	(226,180)	-
Unlisted options lapsing	-	794,790	-	(794,790)	-
Balance at 31 December 2011	37,404,278	11,714,557	-	3,442,198	52,561,033
Balance at 1 July 2012	37,404,278	10,166,605	-	4,131,385	51,702,268
Loss for the period	-	(2,816,731)	-	-	(2,816,731)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-
Total comprehensive loss for the period	-	(2,816,731)	-	-	(2,816,731)
Recognition of share-based payments	-	-	-	365,486	365,486
Unlisted options lapsing	-	207,900	-	(207,900)	-
Balance at 31 December 2012	37,404,278	7,557,774	-	4,288,971	49,251,023

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half year to 31-Dec-12 \$	Half year to 31-Dec-11 \$
Cash flows from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(582,649)	(780,707)
Interest received	683,375	1,062,284
Net cash used in operating activities	100,726	281,577
Cash flows from investing activities		
Proceeds from sale of mining tenements	550,000	-
Payments for property, plant and equipment	(12,440)	(74,737)
Payments for exploration and evaluation expenditure	(7,086,883)	(6,445,484)
Net cash (used in)/provided by investing activities	(6,549,323)	(6,520,221)
Cash flows from financing activities		
Proceeds from issue of shares	-	220,000
Net cash provided by financing activities	-	220,000
Net (decrease)/increase in cash held	(6,448,597)	(6,018,644)
Cash and cash equivalents at the beginning of the period	28,302,155	43,438,770
Cash and cash equivalents at the end of the period	21,853,558	37,420,126

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Talisman Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

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

Significant accounting judgments and key estimates

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

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

In the half-year ended 31 December 2012, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

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

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Half year to 31-Dec-12	Half year to 31-Dec-11
	\$	\$
<i>The following revenue and expense items are relevant in explaining the financial performance for the half-year:</i>		
Other Income:		
Bank interest receivable	625,236	1,199,144
Profit from sale of Anticline and Tom Price projects	318,304	-
Other income	-	17,849
	943,540	1,216,993
Employee benefits expense:		
Share based payment expense	(365,486)	(959,597)

Profit on sale of Anticline and Tom Price Projects:

In 2004, Talisman granted Fortescue Metals Group (FMG) 100% of the iron ore rights associated with its Tom Price and Anticline tenements. Under the agreement 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.

During the half-year ended 31 December 2012, the Company agreed to sell the ownership of these non-core tenements to FMG. Under the terms of the transaction Talisman received a cash payment of \$550,000 from FMG and retained the royalty rights noted above.

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Half year to 31-Dec-12	Year to 30-Jun-12
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	22,440,304	11,476,323
Carrying value of tenements sold	(231,696)	-
Expenditure incurred	6,458,155	11,091,016
	28,666,763	22,567,339
Expenditure written off	-	(127,035)
	28,666,763	22,440,304

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: ISSUED CAPITAL

	31-Dec-12	30-Jun-12
	\$	\$
Ordinary shares		
Issued and fully paid	37,404,278	37,404,278

	31-Dec-12		30-Jun-12	
	No.	\$	No.	\$
Movements in ordinary shares on issue				
Opening balance	131,538,627	37,404,278	130,538,627	36,958,098
Exercise of unlisted options at 22 cents	-	-	1,000,000	220,000
Transfer from share-based payments reserve	-	-	-	226,180
Closing balance	131,538,627	37,404,278	131,538,627	37,404,278

NOTE 5: OPTIONS

	31-Dec-12		30-Jun-12	
	No.	\$	No.	\$
Movements in options over ordinary shares on issue				
Opening balance	15,150,000	4,131,385	12,550,000	3,503,571
Directors' remuneration	-	246,988	5,500,000	1,126,027
Employees' remuneration	200,000	118,498	1,325,000	522,757
Transfer on exercise of unlisted options	-	-	(1,000,000)	(226,180)
Unlisted options lapsing	(400,000)	(207,900)	(3,225,000)	(794,790)
Closing balance	14,950,000	4,288,971	15,150,000	4,131,385

NOTE 6: SEGMENT REPORTING

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

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

NOTE 7: CONTINGENT LIABILITIES

In the opinion of the Directors there are no contingent liabilities or assets as at 31 December 2012 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this report.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



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Gary Lethridge
Managing Director
12 February 2013



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Talisman Mining Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Talisman Mining Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Accountants | Business and Financial Advisers

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

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner

Perth, Western Australia
12 February 2013