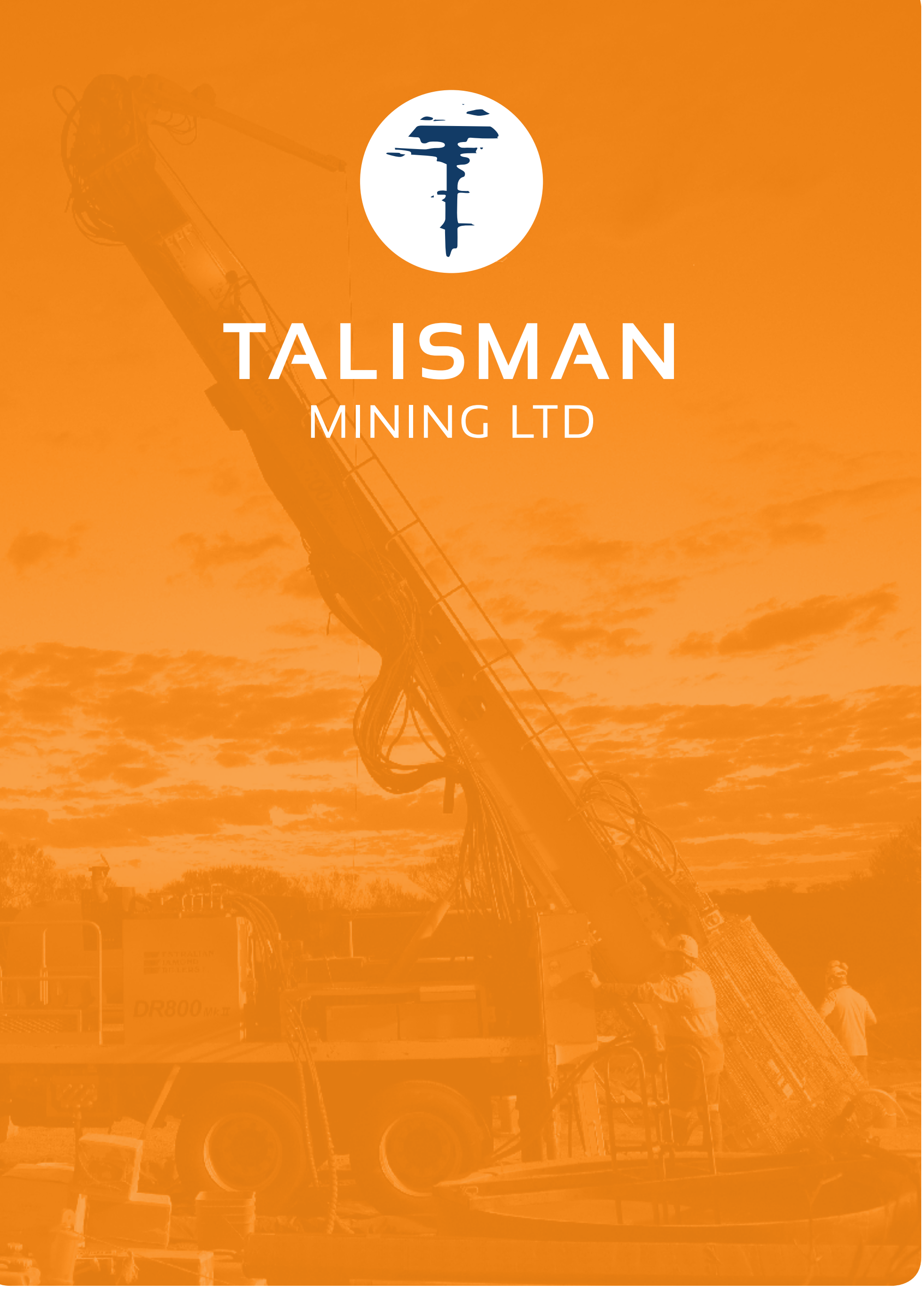

TALISMAN
MINING LTD

ANNUAL REPORT **2015**

CORPORATE DIRECTORY

DIRECTORS

Mr Alan Senior	Non-Executive Chairman
Mr Gary Lethridge	Managing Director
Mr Brian Dawes	Non-Executive Director
Ms Karen Gadsby	Non-Executive Director

COMPANY SECRETARY

Mr Daniel Madden

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2 The Esplanade
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ASX Code: TLM

CONTENTS

LETTER FROM THE CHAIRMAN

Dear Shareholder,

I am pleased to report on what has been a year of success and achievement for Talisman.

Firstly, our long-standing efforts to secure a quality business development opportunity culminated during the year in the $8 million acquisition of the Sinclair Nickel Project in Western Australia from Glencore.

Secondly – and without doubt the key highlight of the year – in June, our Doolgunna exploration farm-in partner, Sandfire Resources NL, made a significant exploration breakthrough with the discovery of the high-grade Monty copper-gold deposit at our Springfield Project.

Additionally, we were able to strengthen our balance sheet with an $8 million capital raising in July 2015 which has put the Company in a strong financial position in what remains a volatile and challenging market for junior resource companies.

I would like to make some brief comments on each of these promising developments.

The Sinclair acquisition, which was funded from our available cash resources, represents a counter-cylical opportunity in the nickel sulphide industry, providing exceptional exploration upside in close proximity to existing quality mine infrastructure.

After completing the acquisition in February 2015, we commenced planning to evaluate potential development opportunities based on the current known deposit and remnants. This will put us in position to take advantage of the anticipated turnaround in nickel price when the economics are sound. In the meantime our focus remains on prudent, targeted, low-cost exploration activities. Sinclair is well known to us as several key members of our team were with Jubilee Mines NL, the discoverer and original owner of the Sinclair deposit. We strongly believe that Sinclair is under-explored and has substantial exploration upside. Consequently we have added further ex-Jubilee Mines geological personnel, familiar with this area, to our team and commenced a regional exploration targeting exercise. This has identified a number of quality exciting new exploration targets.

Ground-based exploration activities commenced in August 2015 and we look forward to advancing this work in the year ahead.

In June, Sandfire's ongoing exploration activities at the Springfield Project delivered a major breakthrough with the discovery of a significant new copper-gold deposit at the Monty prospect, located just 10km to the east of the DeGrussa copper mine.

This exciting and potentially transformational development was a direct result of Sandfire applying its extensive technical expertise and experience gained from the DeGrussa deposit to the historical work conducted by Talisman. This is the sort of breakthrough which we had hoped would flow from the collaboration between Sandfire and Talisman under the $15 million farm-in joint venture which we entered into in late 2013.

While drilling is still at a relatively early stage, there is already sufficient evidence to suggest that Monty has strong geological similarities to DeGrussa and that this discovery together with the recent breakthrough at the Homer prospect, 4km east of DeGrussa, could represent a significant new centre of mineralisation in the broader Doolgunna VMS field.

In July, Talisman completed a successful $8 million capital raising at 47 cents per share. This raising was strongly supported by existing shareholders, including our major shareholder Kerry Harmanis, as well as existing and new Australian institutional and sophisticated investors.

This boosted our cash resources at financial year-end to $12.3 million, putting us in a strong position to progress exploration at the Sinclair Project and also contribute to future joint venture funding requirements at Doolgunna when necessary.

The continued drilling at Monty and that planned later in the year at the promising Homer prospect, means we are looking forward to a very active and hopefully fruitful period for the joint venture.

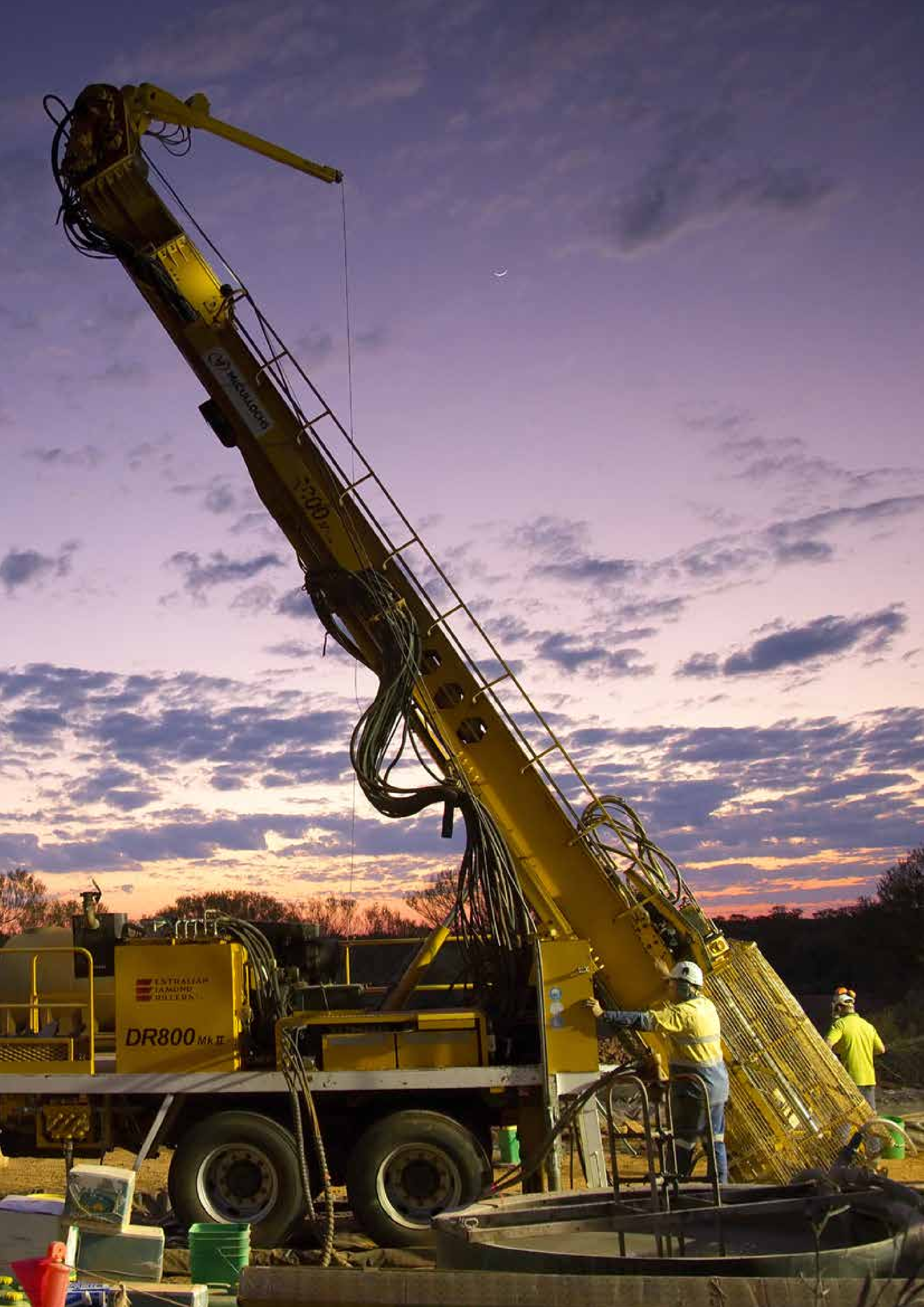
It has been gratifying to see the increase in Talisman's market capitalisation over the course of the year, and I would like to take this opportunity to thank all of our long-standing shareholders for their patience and support. I also welcome those new investors to the Company who have come on board either through the capital raising or by investing on-market in the wake of the Monty discovery.

This is an exciting and busy time for Talisman and I would like to extend a special thanks to our Managing Director, Gary Lethridge, and his hard-working team of staff and consultants for their considerable efforts during the year.

Talisman moves into the new financial year in a great position and we are all looking forward to what the year ahead may bring.

Yours faithfully

Alan Senior
Chairman
30 September 2015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REVIEW OF OPERATIONS

OVERVIEW

The past twelve months has seen significant activity both in terms of exploration activity at Talisman's Doolgunna Projects via its $15 million farm-in exploration joint venture with Sandfire Resources NL (ASX: SFR) and through the 100% acquisition of the Sinclair Nickel Project from Glencore and subsequent commencement of exploration activities by Talisman at Sinclair (see Figure 1).

Throughout the year extensive exploration programs continued to be managed by Sandfire at Talisman's Doolgunna Projects culminating in the discovery of a significant zone of high-grade massive sulphide mineralisation at Monty, which is emerging as an important new VMS discovery.

Exploration activities are continuing by Sandfire at the Monty prospect, the wider Springfield Project and at the Halloween Projects, under the terms of the exploration farm-in joint venture signed in December 2013.

With the securing of on-going exploration activities at the Doolgunna Projects, Talisman continued to pursue business development activities in the first half of the financial year with a strategic focus on identifying quality exploration projects located in Western Australia. This activity culminated in the acquisition of the Sinclair Nickel Project, located in the Agnew-Wiluna Greenstone Belt, a highly prospective nickel belt in the northern goldfields of Western Australia.

Since the acquisition of the Sinclair Nickel Project from Glencore in February 2015, Talisman has been conducting a detailed project wide review focused on regional targeting to highlight priority exploration target areas, which has resulted in the commencement of maiden on-ground exploration activities at the Sinclair Nickel Project subsequent to the end of the financial year, in August 2015.

The Company also commenced geological modelling and studies to improve understanding of the remnant, and extension potential of nickel mineralisation proximal to the Sinclair Mine.

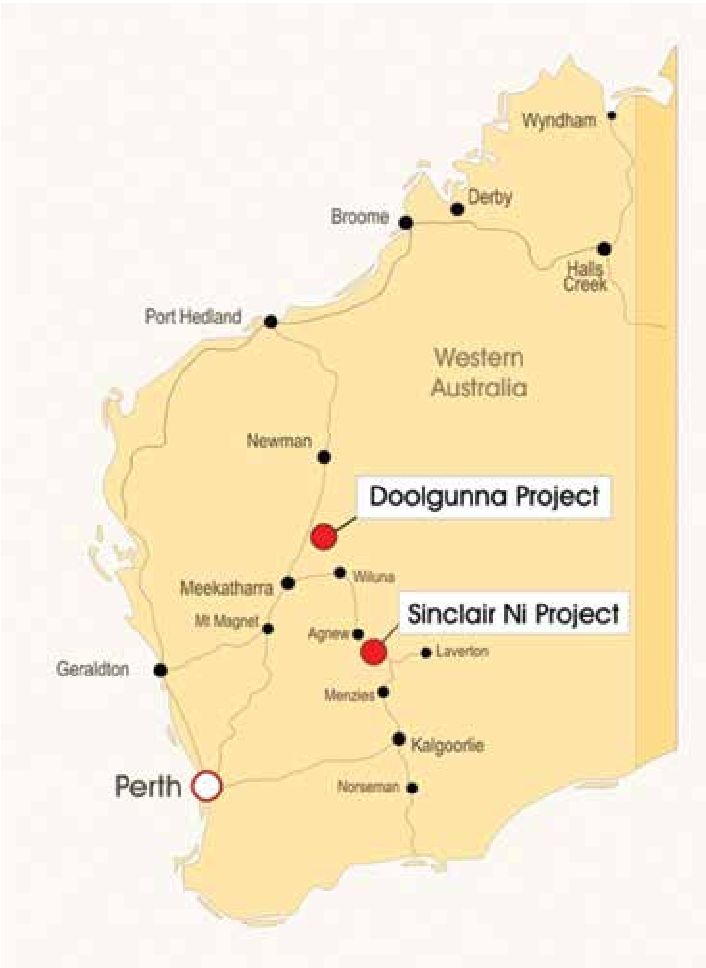

Figure 1 – Talisman Mining Project Locations

REVIEW OF OPERATIONS

DOOLGUNNA COPPER-GOLD PROJECTS

(Exploration Farm-in Joint Venture with Sandfire Resources)

Talisman has a portfolio of high-quality volcanogenic massive sulphide (VMS) copper-gold exploration projects in the Bryah Basin region of Western Australia. Australian copper producer Sandfire Resources NL (ASX: SFR) is funding active exploration at these projects as part of a joint venture exploration farm-in signed in December 2013. Sandfire has the right to earn up to a 70% interest in Talisman's Doolgunna Projects by spending $15 million on exploration over five-and-a-half years.

Talisman's Doolgunna Projects comprise the:

- **Springfield Project** that lies immediately along strike, to the east, from Sandfire's DeGrussa Copper-Gold Mine; and
- **Halloween** and **Halloween West Joint Venture** projects that abut Sandfire's Doolgunna Region tenements to the west.

These projects are interpreted to contain extensions of the volcanic rock package which hosts the DeGrussa VMS deposits (see ***Figure 2***).

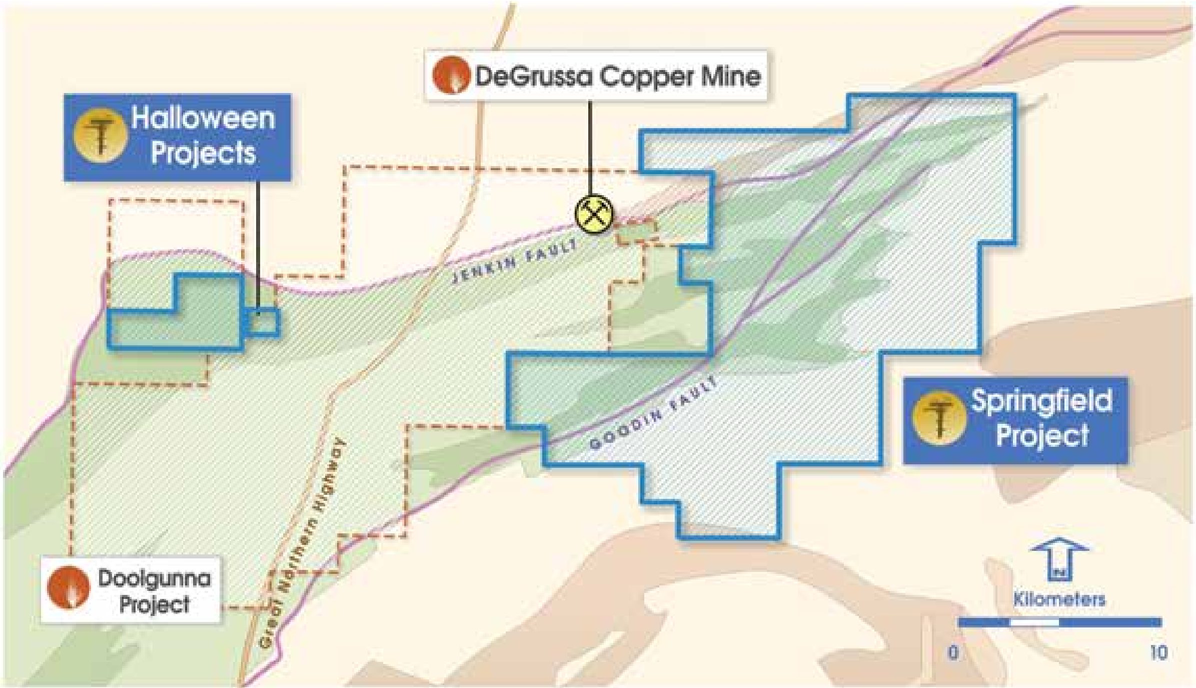

Figure 2: Talisman's Doolgunna Copper-Gold Projects subject to the $15M Exploration Farm-In Joint Venture with Sandfire Resources NL

The $15 million exploration farm-in joint venture signed with Sandfire Resources in December 2013 grants Sandfire the right to earn up to a 70% interest in Talisman's wholly owned **Springfield** and **Halloween** Projects as well as Talisman's interest in the **Halloween West Joint Venture** under the following key earn-in terms:

- Sandfire has a minimum expenditure commitment of $5 million within the first two years before it can elect to either:
  - withdraw from the agreement with no further commitment and no project equity interest; or
  - spend an additional $5 million (for a total of $10 million) within a further 2 year period (total 4 years) in order to earn a 51% interest in the Doolgunna Copper-Gold Projects (First Interest)
- After Sandfire acquires the First Interest, a Joint Venture will be formed between Sandfire and Talisman, with Sandfire holding a 51% interest and Talisman a 49% interest, in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects
- At that time Sandfire then has the option to sole fund a further $5 million (for a total of $15 million) on exploration expenditure within a further 18 month period in order to acquire a further 19% (Second Interest) in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects, thereby taking its total interest to 70%
- If Sandfire gives a notice ceasing sole funding prior to acquiring the Second Interest it shall be deemed to have earned a 51% interest (with Talisman retaining a 49% interest) and the exploration joint venture will then be operated on a pro rata contributing basis or under standard industry dilution terms

- Should Sandfire elect to earn the Second Interest by spending a minimum of $15 million in total and thereby hold a 70% joint venture interest, Talisman will have the right to maintain its 30% interest by contributing to exploration expenditure on a pro rata basis or dilute under industry standard terms.

Full details of the $15 million exploration farm-in joint venture can be found in the 2014 Annual Report.

Subsequent to year end, Sandfire had formally notified Talisman that as at 30 June 2015 it had met the minimum $5 million expenditure commitment under the terms of agreement within the prescribed two year period and that it intends to continue sole funding exploration under the terms of the agreement.

SPRINGFIELD PROJECT (Cu-Au)

(100% Talisman Mining Ltd – subject to Sandfire farm-in exploration joint venture)

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

Springfield is 4km directly along strike, to the east from Sandfire's DeGrussa Copper-Gold Mine and hosts four corridors that are prospective for volcanogenic massive sulphides (VMS). These VMS corridors are **Monty, Homer, Central Corridor** and the **Southern Volcanics** (see *Figure 3*).

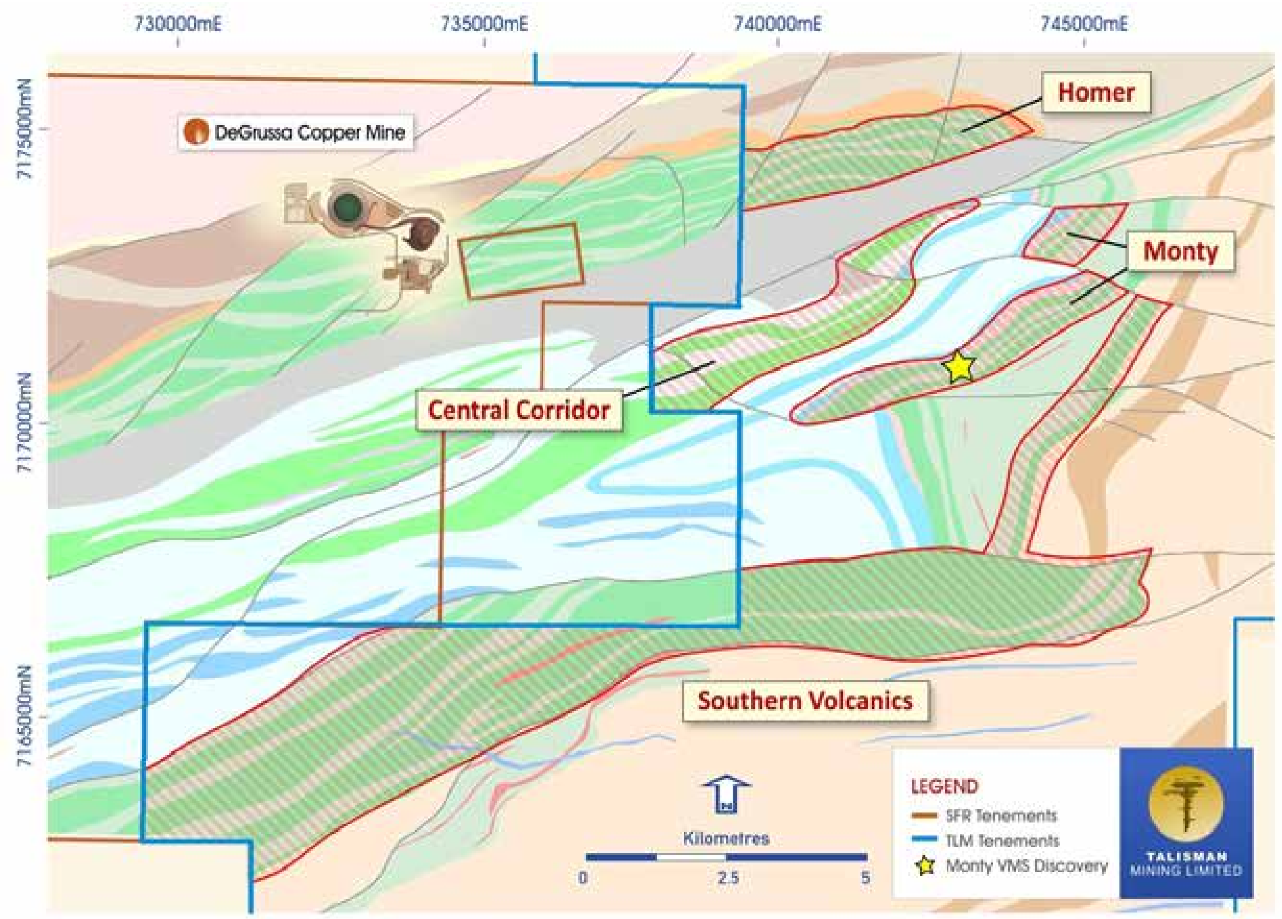

Figure 3: Simplified prospective VMS Corridors at the Springfield Project subject to the exploration farm-in joint venture with Sandfire Resources,

In addition to the continuation of the integration of Talisman's datasets, which commenced in the 2014 financial year, Sandfire conducted extensive exploration activities throughout the 2015 financial year across large areas of interpreted prospective stratigraphy. These activities included programs of high-powered fixed loop electromagnetic (FLEM) surveys, extensive regional aircore drilling to provide detailed geochemical information and targeted diamond drilling.

REVIEW OF OPERATIONS

Sandfire conducted extensive high-powered FLEM surveys across interpreted prospective horizons at the **Springfield Project** covering the **Homer, Monty, Central Corridor** and **Southern Volcanics** areas. A total of 49 large (1,200m x 1,000m) fixed loop surveys were completed across the project.

In addition to the surface electromagnetic (EM) surveys undertaken during the year, Sandfire re-entered 23 historic Talisman drill holes and completed high-powered downhole electromagnetic (DHEM) surveys.

A total of 89km of aircore drilling has been completed by Sandfire across the **Springfield Project** during the 2015 financial year to provide additional geological and geochemical information. Reconnaissance aircore drilling has been conducted on nominal 800m spaced sections with infill drilling on 400m and 200m spaced lines conducted to provide more detailed data in selected target areas.

Monty

The **Monty** prospect, located approximately 10km from Sandfire's DeGrussa Copper-Gold mine (see ***Figure 3***), was originally identified by Talisman as a prospective corridor of volcanic and sedimentary rock sequences with the potential to contain DeGrussa style VMS mineralisation.

Historic exploration activities by Talisman included two diamond drill holes that intersected narrow, potentially remobilised, zones of copper mineralisation that returned the following results:

- SPD020: 0.3m @ 7.6% Cu (502.0m – 502.3m); and
- SPD021: 0.5m @ 1.3% Cu and 1.0 g/t Au (347.5m – 348.0m)

As part of a larger program to re-enter, and survey existing drill holes, Sandfire completed a high-powered DHEM fluxgate survey on historic Talisman diamond drill hole SPD021 in the first half of the 2015 financial year. This survey returned a discrete off-hole conductor that was interpreted to be sub-parallel to drill hole SPD021 at a depth of approximately 400 metres below surface.

Sandfire commenced a program of reconnaissance diamond drilling at **Monty** in May 2015 to test this conductor.

Diamond drill hole TLDD0002A was initially drilled (see ***Figure 5***) to test this EM conductor.

A high-powered DHEM survey undertaken in May 2015 on TLDD0002A identified a highly conductive late-time anomaly of 50 metres by 50 metres, approximately 15 metres off-hole centred at a down-hole depth of 410 metres, which was deemed to have the potential to represent an accumulation of mineralised massive sulphides.

Logging of TLDD0002A by Sandfire also identified a zone of haematitic siliceous jasper nodules with trace disseminated chalcopyrite that closely resembled that of the exhalite adjacent to the massive sulphide mineralisation at DeGrussa.

Drill hole TLDD0004A was drilled by Sandfire in June 2015 as a follow up (see ***Figure 5***) to target the identified DHEM conductor in TLDD0002A. TLDD0004A intersected a significant zone of high-grade copper-gold mineralisation with final assays returning an exceptional massive sulphide intercept of **16.5 metres grading 18.9% Cu and 2.1g/t Au** from 409.5m to 426m down-hole (not true width and from 365m below surface vertical depth).

The intersection in TLDD0004A at **Monty** represents the first significant intersection of high-grade copper-gold mineralisation discovered by Sandfire or Talisman outside of the known lenses of VMS mineralisation at DeGrussa. The massive sulphide mineralisation, and the host sequence, intersected in TLDD0004A (see ***Figure 4***) is similar to that seen in the DeGrussa, Conductor 1, 4 and 5 VMS lenses.

Subsequent to the end of the 2015 financial year a number of additional drill holes at **Monty** (see ***Figure 5***) also returned significant massive sulphide intersections including:

- TLDD0005 intersected the mineralised horizon approximately 70 metres south-west of TLDD0004A, returning an outstanding high-grade massive sulphide intercept of:
  - **9.2 metres grading 11.8% Cu and 2.9 g/t Au** from 417.0m to 426.2m down-hole (not true width, from 370m vertical depth below surface)

  This intercept occurs within a broader mineralised zone of:
  - **13.1 metres grading 8.4% Cu and 2.1 g/t Au** from 416.7m to 429.8m down-hole
- RC Drill hole TLRC0004 returned high grade intercepts in two zones:
  - **18.0 metres grading 5.7% Cu and 2.4g/t Au** from 107 metres to 125 metres down-hole including 4 metres @ 14.2% Cu and 3.6 g/t Au from 109 metres to 113 metres down-hole (not true width, from 90 metres vertical depth below surface); and
  - **4.0 metres grading 4.2% Cu and 0.7g/t Au** from 158 metres to 162 metres down-hole (not true width, from 140 metres vertical depth below surface).

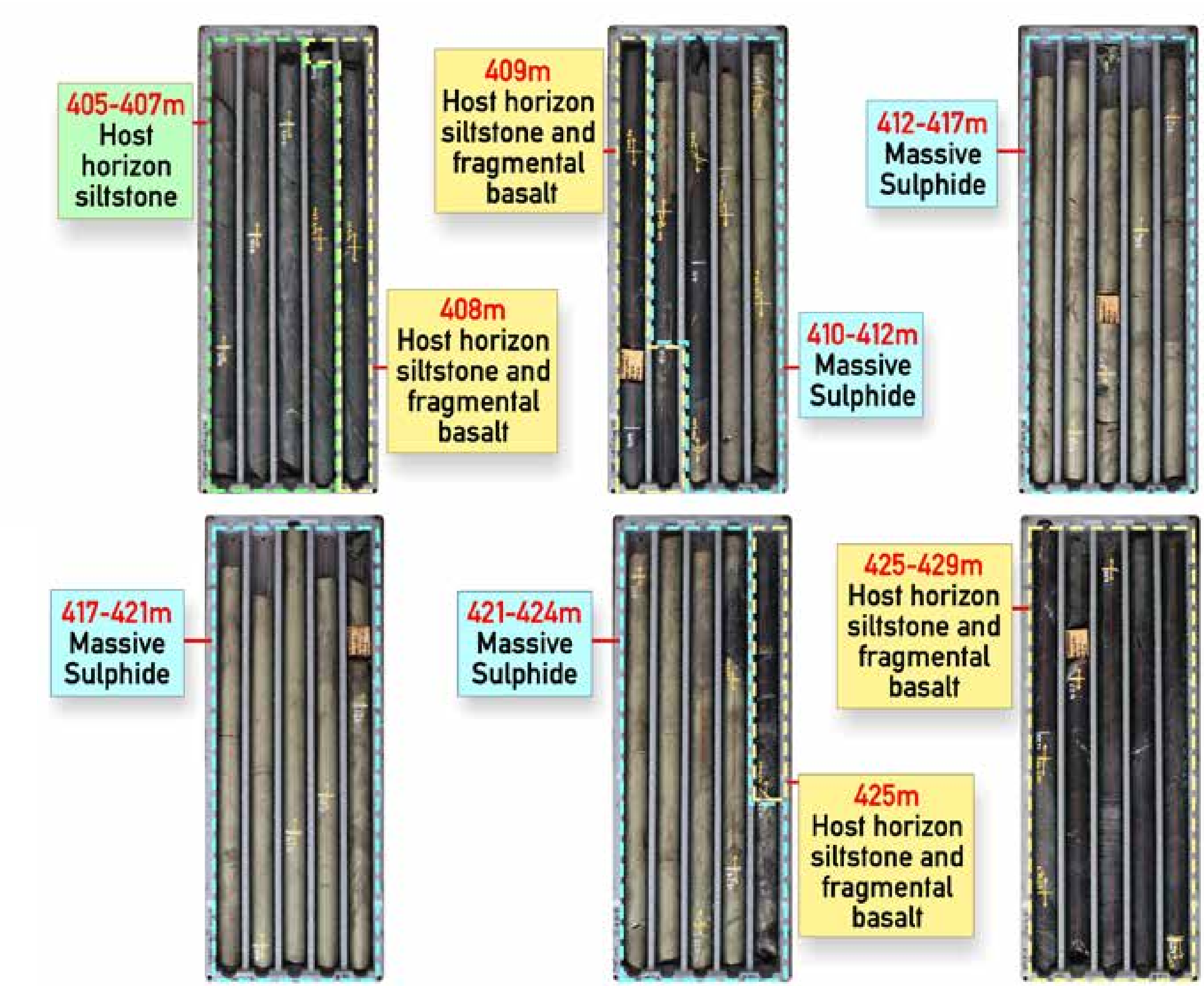

Figure 4: Drill Core photos of massive sulphide mineralisation from hole TLDD0004A

- TLDD0009 returned the following high-grade intercepts approximately 55 metres up-dip of the intersection in TLDD0005:
  - **1.0 metre grading 8.6% Cu and 0.3g/t Au** from 343.0m to 344.0m down-hole (not true width, from 301.2 metres vertical depth below surface);
  - **7.9 metres grading 8.3% Cu and 2.4g/t Au** from 363.1m to 371.0m down-hole (not true width, from 316.3 metres vertical depth below surface); and
  - **4.8 metres grading 4.9% Cu and 1.1g/t Au** from 385.8m to 390.6m down-hole (not true width, from 334.7 metres vertical depth below surface).
- TLDD0010 returned the following high-grade intercepts approximately 70 metres up-dip of TLDD0006:
  - **0.5 metres grading 1.2% Cu and 1.4g/t Au** from 355.6m to 356.1m down-hole (not true width, from 312.2 metres vertical depth below surface);
  - **10.5 metres grading 18.9% Cu and 3.1g/t Au** from 359.7m to 370.2m down-hole (not true width, from 314.5 metres vertical depth below surface); and
  - **4.7 metres grading 12.8% Cu and 2.5g/t Au** from 373.6m to 378.2m down-hole (not true width, from 328.0 metres vertical depth below surface).

REVIEW OF OPERATIONS

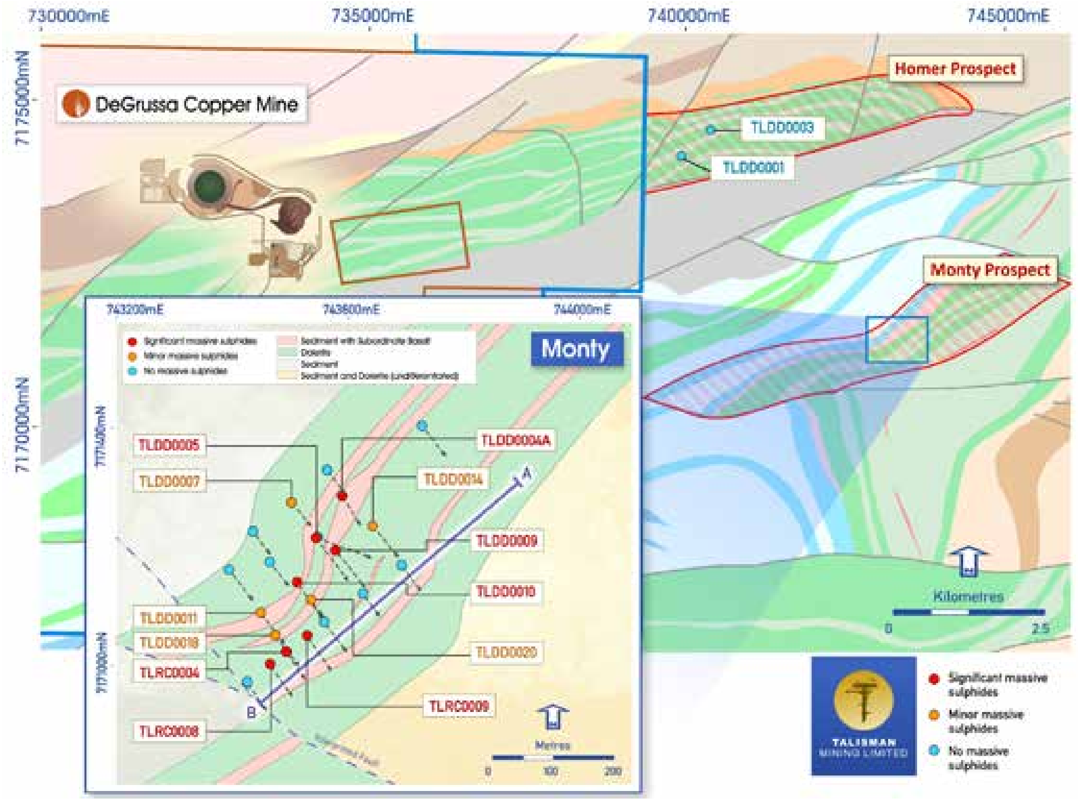

Figure 5: Plan view of recent Monty and Homer exploration diamond and RC drilling relative to the DeGrussa Copper-Gold Mine.

Homer Prospect

The **Homer** prospect is interpreted to represent the eastern extension of the DeGrussa stratigraphic horizon (see ***Figure 3***). Sandfire have completed two diamond drill holes on the prospect that have confirmed the continuation of the DeGrussa C5 host horizon.

TLDD0001 at **Homer** was the first diamond hole drilled by Sandfire on the **Springfield Project** and was completed in August 2014 to a final depth of 1,099m (see ***Figure 5***). The hole was designed to target a modelled conductor at a vertical depth of 400m below surface which was interpreted to sit within the extension of the prospective DeGrussa stratigraphic horizon, approximately 5km to the east of DeGrussa. The conductor resulted from the analysis of high-powered FLEM and DHEM surveys in six drill holes previously drilled by Talisman.

TLDD0001 intersected a 37m package of rocks which Sandfire have interpreted as being potentially analogous to the DeGrussa host horizon. The package consisted of siliciclastic rocks with variable haematite alteration, ranging from unaltered to pervasively altered. Sporadic jasper clasts were observed throughout the package. Within the most altered component of the package, a narrow zone of strong silicification, banded magnetite and fine sulphides was intersected.

The VMS stratigraphic package (including trace disseminated Cu mineralisation) identified in TLDD0001 is interpreted to be indicative of a proximal VMS environment.

In June 2015 Sandfire drilled TLDD0003 at the Homer Prospect (see ***Figure 5***) designed to test the eastern strike extension of the interpreted C5 host horizon roughly 450m ENE of the TLDD0001 intersection.

The location of the drill collar coincided with a recently completed seismic line to facilitate stratigraphic interpretation. The drill hole intersected haematitic exhalite with jasper clasts, which is interpreted by Sandfire to be the C5 target horizon. This horizon returned weakly anomalous base metal and trace elements.

The hole confirms the continuation of the C5 host horizon and supports additional work by Sandfire in the area heading further east along strike.

Future Developments

While the new intersections at **Monty** have increased the known footprint of mineralisation, further drilling, managed by Sandfire, is required to determine the geological setting and extents of the mineralisation.

It is anticipated that Sandfire will continue to explore the area to determine the potential extents of the mineralisation and to develop further understanding of the broader geological context. A multi-faceted approach to the exploration in the area will include collating information from ongoing down-hole EM surveys, structural geological reviews, geochemical vectoring and stratigraphic analysis.

Drilling completed by Sandfire at **Homer** during the year has confirmed the continuation of the DeGrussa C5 stratigraphic host horizon at the **Homer** prospect that warrants further exploration work.

It is anticipated that further drilling at **Monty** and **Homer** will be conducted by Sandfire as part of ongoing exploration efforts across the Doolgunna farm-in joint venture.

HALLOWEEN PROJECT (Cu-Au)

(100% Talisman Mining Ltd – subject to Sandfire farm-in exploration joint venture)

The **Halloween** Project is located approximately 17km west south-west of Sandfire's DeGrussa Copper-Gold Mine (see ***Figure 2***). The **Halloween** Project covers the interpreted western extension of the Narracoota Volcanic Formation that locally hosts the DeGrussa Deposit.

Sandfire have conducted full integration, processing and evaluation of existing Talisman datasets to identify priority target areas across the **Halloween** Project.

Future Developments

It is anticipated that Sandfire will continue to conduct exploration activities as part of the farm-in joint venture across the **Halloween** Project.

HALLOWEEN WEST JOINT VENTURE PROJECT (Cu-Au)

(63% Talisman Mining Ltd – Talisman's interest subject to Sandfire farm-in exploration joint venture)

The **Halloween West Joint Venture** Project is located immediately to the west of the **Halloween** Project and approximately 20km west south-west of Sandfire's DeGrussa Copper-Gold Mine (see ***Figure 2***).

The **Halloween West Joint Venture** was formed in 2012 when Talisman reached agreement with Chrysalis Resources Limited (ASX: CYS) to farm into the Halloween West Copper-Gold Project.

In October 2014, Sandfire Resources acquired the interest held by Chrysalis Resources and the Joint Venture is now between Talisman and Sandfire. Talisman's interest in the Halloween West Project is subject to the terms of the exploration farm-in joint venture entered into between Talisman and Sandfire in December 2013.

Sandfire have conducted full integration, processing and evaluation of existing Talisman datasets to identify priority target areas across the **Halloween West** Project.

Future Developments

It is anticipated that Sandfire will continue to conduct exploration activities as part of the farm-in joint venture across the **Halloween West** Project.

REVIEW OF OPERATIONS

SINCLAIR NICKEL PROJECT

In October 2014, Talisman Nickel Pty Ltd, a wholly owned subsidiary of Talisman Mining Limited, entered into a binding Sale and Purchase Agreement with Xstrata Nickel Australasia Operations Pty Ltd (XNAO), a subsidiary of Glencore, to acquire 100% of the **Sinclair Nickel Project**. The acquisition of the project was completed on 4 February 2015.

The **Sinclair Nickel Project** is located in the prolific Agnew-Wiluna Greenstone Belt in WA's Northeastern Goldfields, one of the world's premier nickel provinces with over 9 million tonnes of nickel endowment (see ***Figure 6***).

The Sinclair nickel deposit was discovered by the former highly successful nickel miner and explorer, Jubilee Mines NL, in October 2005. It was developed and commissioned in 2008 by Xstrata and operated successfully before being placed on care-and-maintenance in August 2013, having produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni.

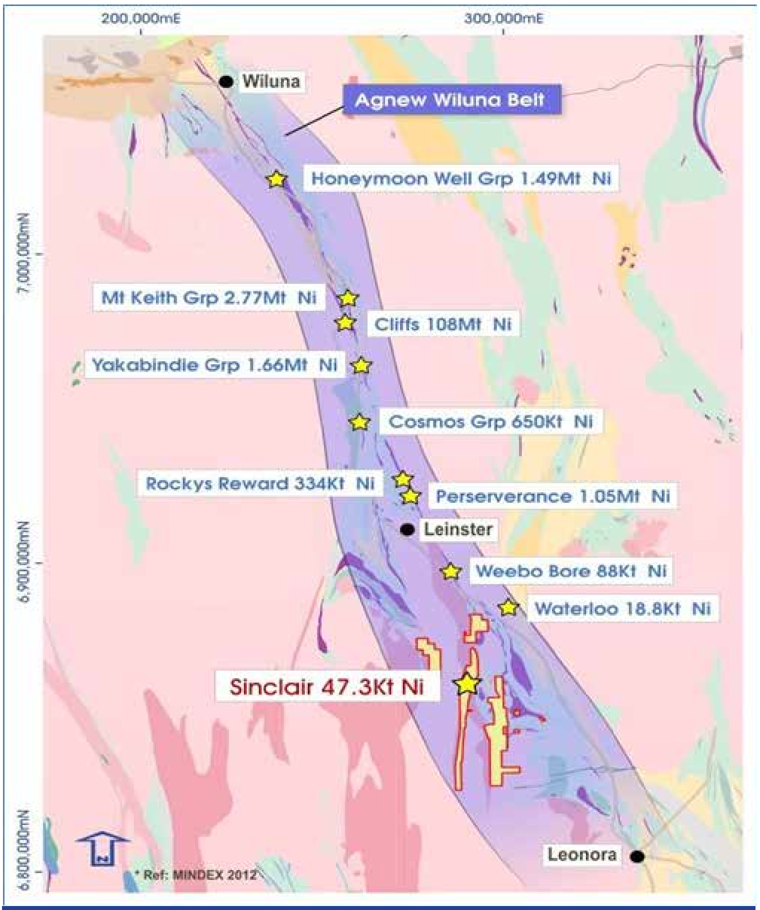

Figure 6: The Sinclair Nickel Project showing regional geology nickel production centres and reported contained nickel* of the Agnew-Wiluna Belt (*MINDEX 2012)

Transaction details

The transaction to acquire 100% of the **Sinclair Nickel Project** is between Talisman Nickel Pty Ltd, a wholly owned subsidiary of Talisman Mining Limited, and Xstrata Nickel Australasia Operations Pty Ltd (XNAO), a subsidiary of Glencore.

Consideration for the acquisition of the **Sinclair Nickel Project** consisted of:

- a cash payment of $8 million payable at completion of the transaction; and
- a contingent payment of $2 million triggered by production recommencing within 6 years of transaction completion.

The contingent consideration is to be paid six months following the receipt of the first payment for the sale of nickel product. Talisman assumed all environmental liabilities and obligations associated with the **Sinclair Nickel Project** on completion of the acquisition.

Talisman agreed to grant Glencore the right to make an offer for off-take for the first 20,000 tonnes of contained nickel-in-concentrate produced from the **Sinclair Nickel Project**. Talisman may accept or reject this offer. Glencore was also granted the right to match the best third party off-take offer should Talisman elect to seek alternative offers.

On 4 February 2015, Talisman announced that it had completed the acquisition of the **Sinclair Nickel Project** following the satisfaction of the conditions precedent and payment of the non-contingent purchase consideration of $8 million in cash.

Talisman lodged the stamped tenement transfers for formal registration in Talisman Nickel's name with the Western Australian Department of Mines and Petroleum (DMP) in April 2015 and the registration of all **Sinclair Nickel Project** tenement titles to Talisman Nickel Pty Ltd was completed by the end of the financial year.

Exploration – Regional Targeting

The **Sinclair Nickel Project** contains an extensive 290 km² tenement package covering at least five known ultra-mafic volcanic sequences, which are considered prospective for massive nickel sulphide mineralisation.

Numerous nickel occurrences have been identified through historical geochemistry and geophysics across the project, with a number of key target areas located within a 30km radius of the mine (see ***Figure 7***).

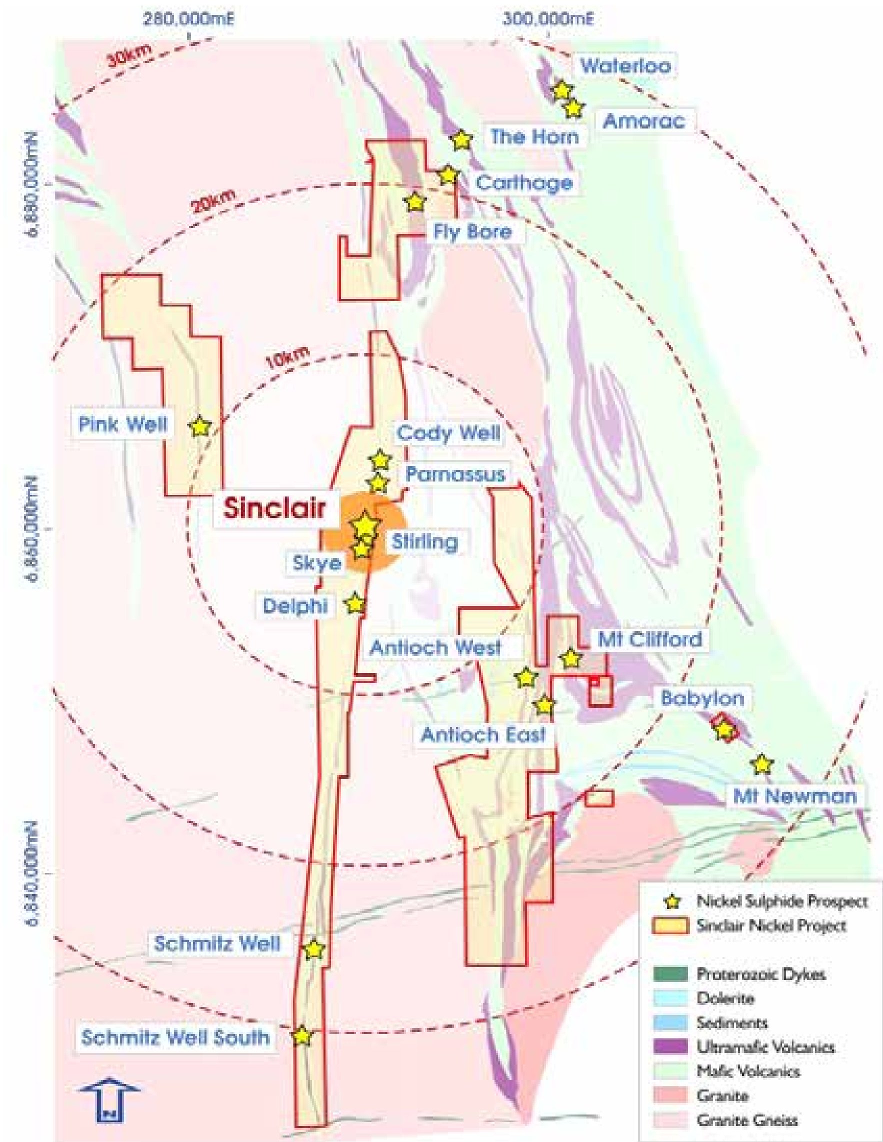

Figure 7: Plan view showing Talisman tenement holding at the Sinclair Nickel Project and selected prospect names

REVIEW OF OPERATIONS

Talisman commenced a project wide exploration and targeting review during the financial year utilising all historic data from the **Sinclair Nickel Project**. The review has identified a number of high priority exploration areas and specific targets which are discussed below.

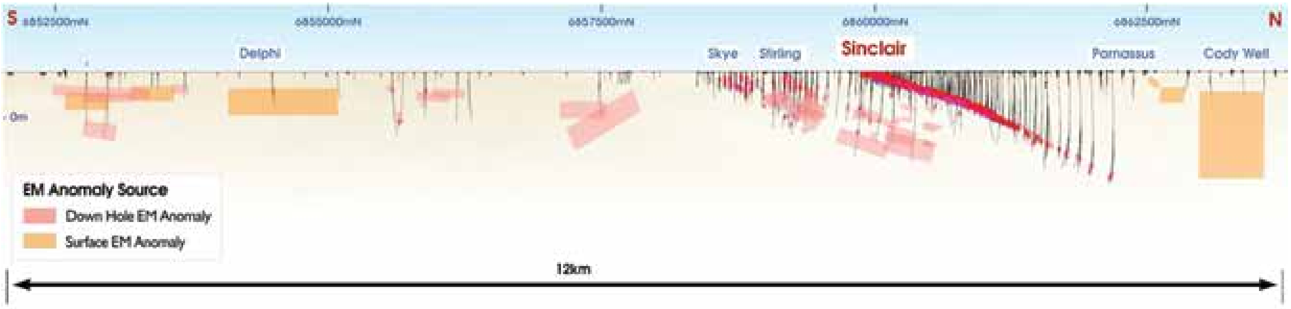

Figure 8: Long section looking west extending from Delphi prospect in the south to Cody Well in the North. Priority surface and down-hole geophysical EM anomalies shown.

Delphi Prospect

The **Delphi** prospect area is located between 4 to 10 kilometres south of the Sinclair mine (*see* ***Figure 8***) and has delivered historic high-grade nickel sulphide intersections in sparse historic drilling including:

- 0.44 metres at 5.43% Ni; and,
- 0.32 metres at 2.99% Ni.

Reinterpretation by Talisman of the geology extending south of Sinclair through the **Delphi** prospect area has shown similarities in the ultramafic rock units to those seen at Sinclair. In addition, historic geophysical EM anomalies are interpreted to lie in favourable stratigraphic positions and are thought to be indicative of possible accumulations of nickel sulphide mineralisation.

The **Delphi** prospect was identified as a priority target for on ground exploration activities and a program of geophysical surveys was commenced subsequent to the end of the 2015 financial year to confirm and refine targets.

Cody Well

The **Cody Well** prospect is located approximately 3km north of Sinclair (see ***Figure 9***). A detailed review of historic and existing data by the Company during the financial year identified three prospective exploration targets that are interpreted to lie in favourable stratigraphic positions coincident with geophysical EM targets and geochemical anomalies that have not previously been tested by drilling.

Talisman commenced the reprocessing and re-interpretation of historic EM surveys at **Cody Well** with the assistance of Newexco geophysical consultants in June 2015 with a view to identifying potential future exploration drill targets.

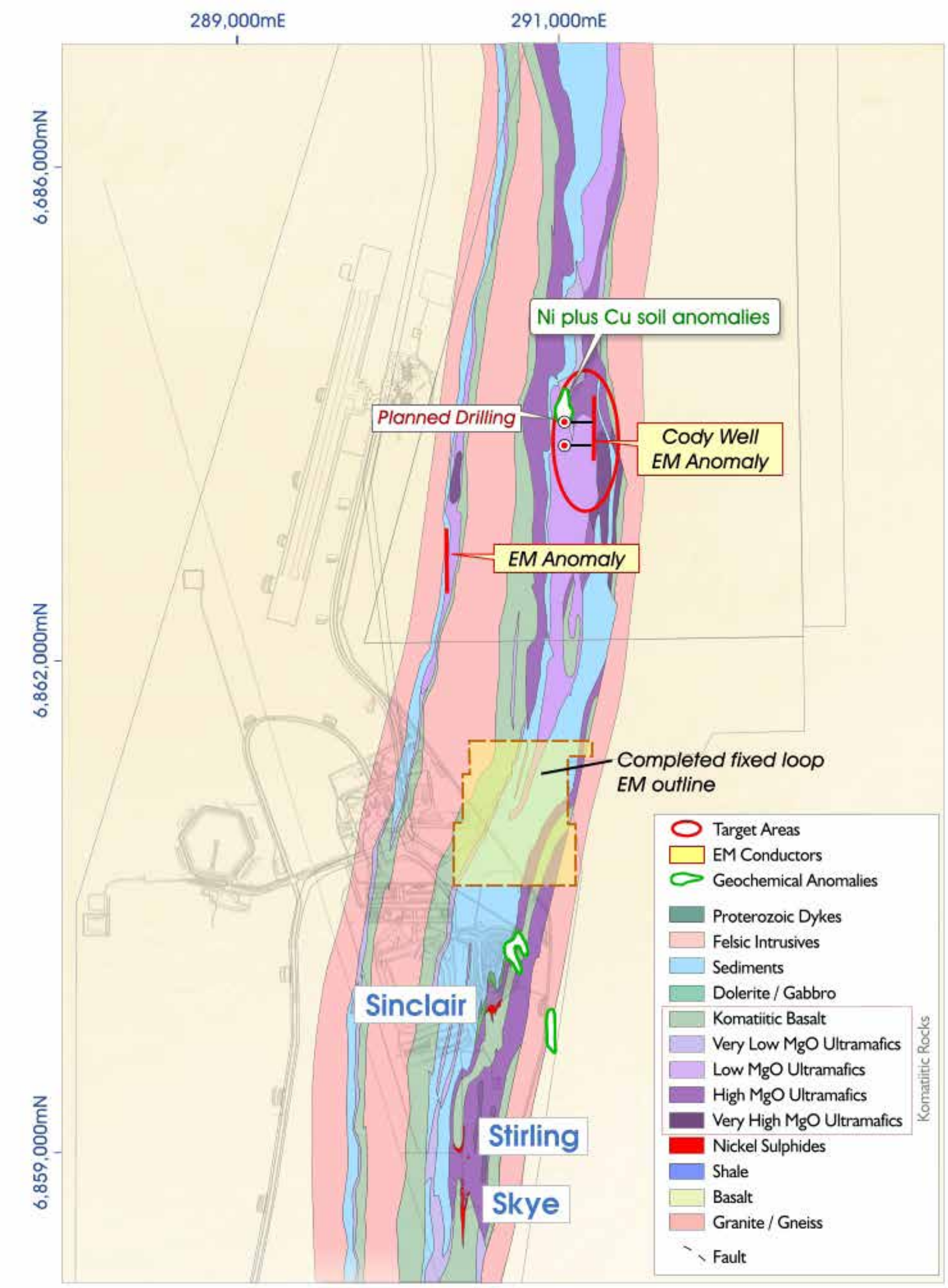

Figure 9: Plan view showing geological interpretation extending north of Sinclair to Cody Well, geophysical plates and geochemical anomalies shown.

REVIEW OF OPERATIONS

Fly Bore

The **Fly Bore** prospect is located approximately 15 kilometres north of Sinclair (see ***Figure 10***). **Fly Bore** has been identified by the Company as an exploration opportunity due to sparse historic drilling over an area in excess of 10 strike kilometres of ultramafic stratigraphy and a number of historic geochemical and geophysical anomalies that are untested by drilling and have not been subject to any modern exploration activities (see ***Figure 10***).

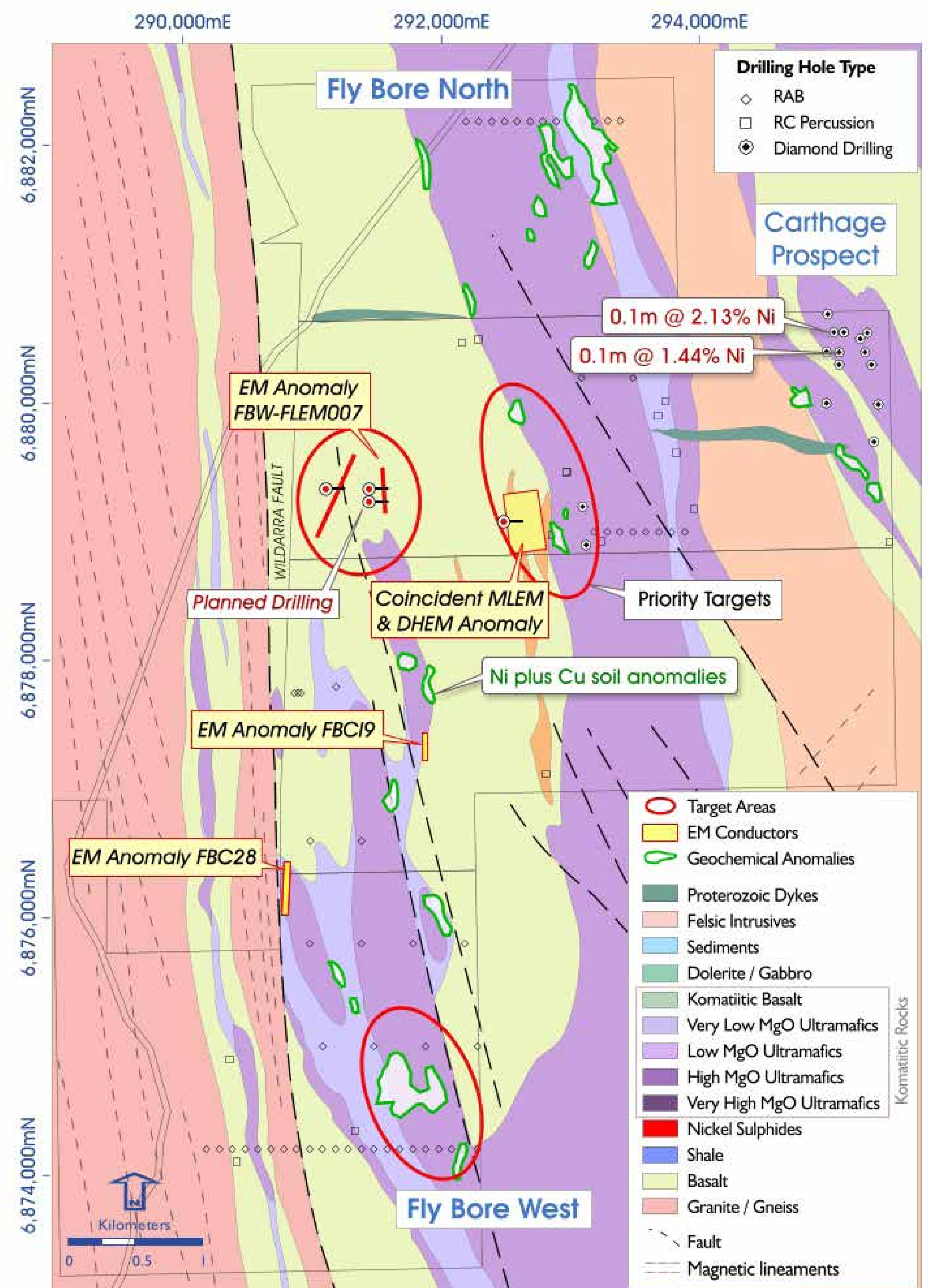

Figure 10. Plan view of Fly Bore interpreted geology with historic EM and geochemical anomalism shown

In June 2015 Talisman commenced reviewing, reprocessing and reinterpreting historic geophysical data with the assistance of Newexco geophysical consultants with a view to confirming the validity of the historic surveying, developing targeted modern geophysics programs, and identifying / confirming specific targets.

Future Developments

Talisman commenced a program of geophysical surveys at the **Delphi** prospect in August 2015. A program of targeted exploration drilling is planned.

Subsequent to the year end the Company extended the process of reprocessing and reinterpreting historic EM surveys at **Cody Well** to other EM targets in the **Cody Well** area as well as commencing a review of geological and geochemical datasets with a view to developing future exploration drill targets at **Cody Well**.

The ongoing review of the Sinclair Project continues to highlight the significant prospectivity of the area and the potential for a number of additional areas to host nickel sulphide mineralisation outside of the prospects outlined above.

Talisman is continuing with its regional targeting exercise and anticipates being able to identify other areas across the project where modern geophysical techniques may have significant advantage over historical techniques with a view to undertaking additional targeted surface EM surveys in the future.

Further exploration target areas are expected to be identified as the review progresses.

Sinclair Nickel Deposit – Geological Modelling & Studies

The Sinclair nickel mine was commissioned in 2008 by Xstrata and operated successfully producing approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni before being placed on care-and-maintenance in August 2013 by Xstrata.

The Sinclair deposit comprises an elongated body of massive and heavily disseminated sulphide mineralisation with a shallow plunge of around 20 degrees to the north (see ***Figure 11***). The underground development and stoping extended to 445m below surface and provides a near-mine nickel sulphide exploration opportunity within the down-plunge extensions of the Sinclair ore body as well as the possibility for extraction of remnant mineralisation adjacent to the existing stopes.

The Company commenced work during the financial year on a geological model of the entire Sinclair deposit with the intent of improving understanding of the deposit, to provide potential target vectors for drill programs and to be a pre-cursor to any potential resource estimate for the Sinclair deposit. This work is ongoing as at 30 June 2015.

The Company also commenced scenario planning during the year to assess requirements for a potential recommencement of the **Sinclair Nickel Project** during the year. This work is ongoing and is focused on improving Talisman's understanding of issues including:

- the regulatory approvals process particular to the Sinclair Project;
- the dewatering and rehabilitation requirements for re-entering the existing underground mine; and
- understanding the practicalities of mining any potential remnant mineralisation.

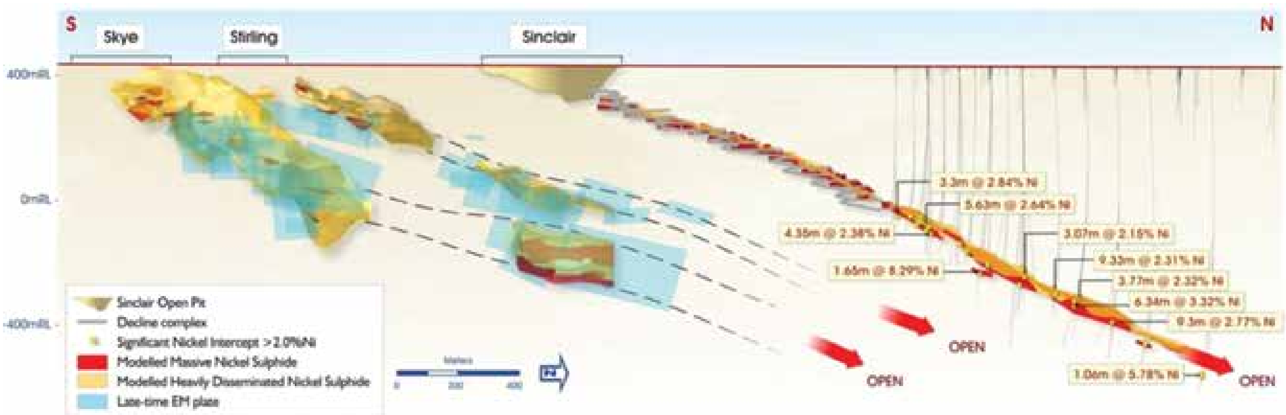

Figure 11: Sinclair Nickel deposit longitudinal projection with mine development showing mineralised Ni drill intercepts greater than 2% Ni beyond the limit of existing mine development and targets at Skye and Stirling

REVIEW OF OPERATIONS

Stirling and Skye Prospects – Near-Mine Exploration Potential

The **Stirling** and **Skye** prospects comprise two mineralised ultramafic channels parallel to, and beneath the main Sinclair orebody, proximal to the Sinclair underground mine development.

Stirling and **Skye** show strong similarities to the Sinclair orebody, with massive nickel sulphides associated with at least two positions at the base of a complexly folded ultramafic sequence. Both prospects have returned significant nickel intersections at their near-surface positions, but are largely untested down-plunge beneath the Sinclair deposit (see ***Figure 11***).

In November 2014, Talisman engaged expert consultants to assist with the development of exploration targets at **Skye** and **Stirling**, through the preparation of three-dimensional geological models and the reprocessing and assessment of historical EM data.

This work both confirmed existing EM targets and identified a number of previously unrecognised EM targets that support the continuation of massive nickel sulphides along both the **Stirling** and **Skye** basal contacts, and confirm the prospective nature of the near-mine environment (see ***Figure 12***).

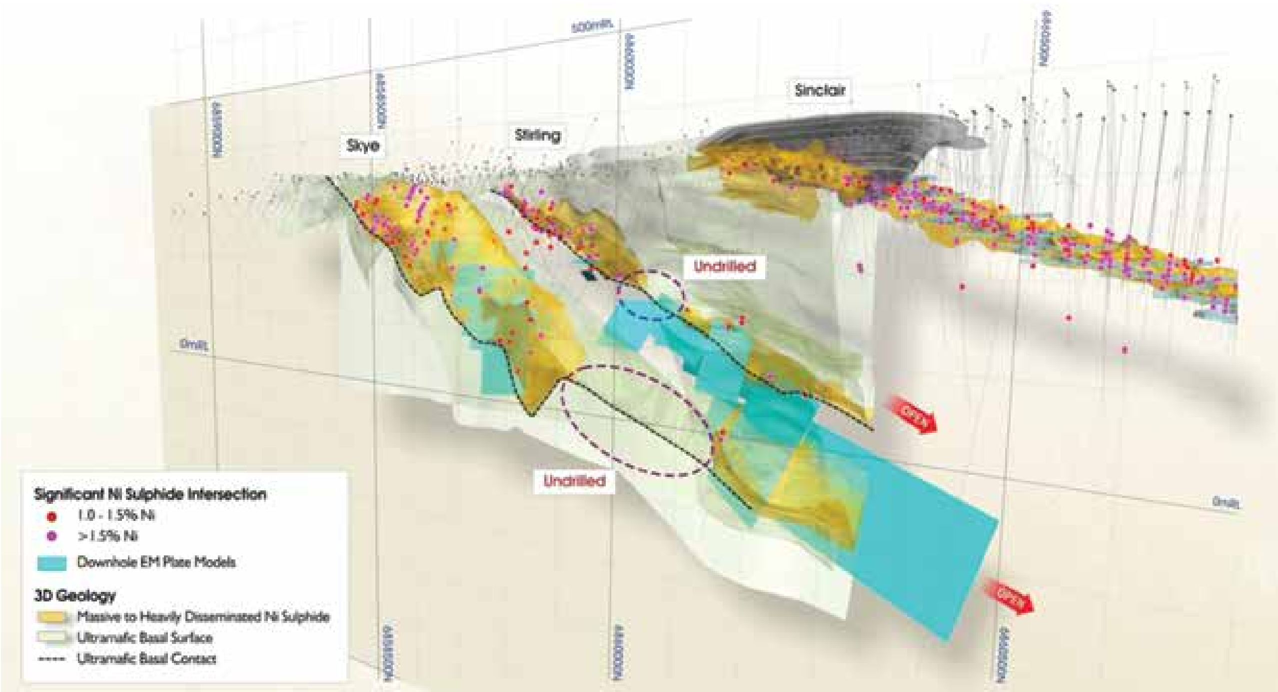

Figure 12: Perspective view of 3D geology (looking west-southwest) showing untested late time DHEM plate models for Skye and Stirling (blue) and Ni mineralised drill hole intersections.

As at 30 June 2015 Talisman is continuing to integrate the new 3D geological and EM models together with historical drill hole data with a view to evaluating potential drill programs to test the highest priority EM drill targets in optimal geological positions along the **Skye** and **Stirling** mineralised channels.

MURCHISON EXPLORATION PROJECTS

The Company undertook a rationalisation of its non-core exploration assets in the Northern Murchison region during the financial year.

Shelby Project (TLM 100%), Milgun Project (TLM 100%) and Killara Project (TLM application for 100%)

Following a technical review undertaken during the December 2014 quarter, the **Shelby, Milgun** and **Killara** Projects were interpreted to be of a lower prospectivity and consequently of low priority to the Company.

Consistent with the Company's focus on minimising non-core expenditure, the **Shelby** and **Milgun** tenements were relinquished and the applications for the **Killara** tenements were withdrawn during December 2014.

Livingstone Project (TLM 80%) and Muddawerrie Gold Project (TLM 80%)

Following a technical review undertaken during the March 2015 quarter, and in light of the acquisition of the Sinclair Nickel Project, the **Livingstone** and **Muddawerrie** Projects were interpreted to be of a lower prospectivity and consequently of low priority to the Company.

Consistent with the Company's focus on minimising non-core expenditure, Talisman notified Zebina Minerals Pty Ltd, its Joint Venture Partner in the **Livingstone** and **Muddawerrie** Projects, of its intention to withdraw from the Joint Venture in March 2015.

Talisman subsequently completed the withdrawal from the **Livingstone** and **Muddawerrie** Joint Ventures and the surrender of the accompanying tenement areas.

Competent Person's Statement

Information in this report that relates to Exploration Results is based on information compiled by Mr Graham Leaver, who is a member of the Australian Institute of Geoscientists. Mr Leaver is a full-time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Leaver consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

TENEMENT SCHEDULE
As at date of report

Project	Tenement	Blocks (Area)	Talisman Equity (%)	JV Partner	Farm-In Party	Expiry	Annual Commit-ment	Comments
HALLOWEEN WEST/ DOOLGUNNA WEST	E52/2275	6.0	62.9%	Chrysalis Resources Ltd	Sandfire Resources NL	8/02/19	$50,000	
HALLOWEEN	P52/1241	200.0 HA	100.0%		Sandfire Resources NL	17/03/16	$8,000	
SPRINGFIELD	E52/2282	70.0	100.0%		Sandfire Resources NL	24/11/19	$140,000	
	E52/2313	14.0	100.0%		Sandfire Resources NL	24/11/19	$50,000	
	E52/2466	14.0	100.0%		Sandfire Resources NL	5/04/20	$50,000	
SINCLAIR	E36/0650	16.0	100.0%			15/10/18	$50,000	
	E37/1231	3.0	100.0%					Application
	E37/0903	13.0	100.0%			21/09/18	$50,000	
	L36/0198	103.1 HA	100.0%			19/04/28	–	
	L37/0175	83.9 HA	100.0%			19/04/28	–	
	M36/0444	568.0 HA	100.0%			27/03/29	$56,800	
	M36/0445	973.0 HA	100.0%			27/03/29	$97,300	
	M36/0446	843.0 HA	100.0%			27/03/29	$84,300	
	M37/1063	604.0 HA	100.0%			27/03/29	$60,400	
	M37/1089	574.0 HA	100.0%			22/04/29	$57,400	
	M37/1090	478.0 HA	100.0%			22/04/29	$47,800	
	M37/1126	603.0 HA	100.0%			27/03/29	$60,300	
	M37/1127	603.0 HA	100.0%			27/03/29	$60,300	
	M37/1136	986.0 HA	100.0%			27/03/29	$98,600	
	M37/1137	850.0 HA	100.0%			27/03/29	$85,000	
	M37/1148	44.7 HA	100.0%			27/03/29	$10,000	
	M37/1168	190.0 HA	100.0%			27/03/29	$19,000	
	M37/1223	675.0 HA	100.0%			27/03/29	$67,500	
	M37/1275	1961.0 HA	100.0%			29/07/28	$196,100	
	M37/0362	981.5 HA	100.0%			20/05/34	$98,200	
	M37/0383	841.7 HA	100.0%			28/01/35	$84,200	
	M37/0384	536.7 HA	100.0%			28/01/35	$53,700	
	M37/0385	926.8 HA	100.0%			28/01/35	$92,700	
	M37/0386	983.8 HA	100.0%			28/01/35	$98,400	
	M37/0424	891.0 HA	100.0%			3/02/36	$89,100	
	M37/0426	505.0 HA	100.0%			3/02/36	$50,500	
	M37/0427	821.0 HA	100.0%			3/02/36	$82,100	
	M37/0590	120.0 HA	100.0%			27/03/29	$12,100	
	M37/0692	136.0 HA	100.0%			27/03/29	$13,600	
	M37/0735	959.0 HA	100.0%			27/03/29	$95,900	
	M37/0816	818.4 HA	100.0%			27/03/29	$81,900	
	M37/0818	806.5 HA	100.0%			27/03/29	$80,700	
	M37/0819	380.1 HA	100.0%			28/08/29	$38,100	
	P37/7228	61.5 HA	100.0%			21/09/16	$2,480	
	P37/7233	116.0 HA	100.0%			21/09/16	$4,680	

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found on the Company's website at www.talismanmining.com.au/about-us/corporate-governance.html under the heading marked "Corporate Governance Statement".

The following governance-related documents can also be found on the Company's website.

Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee

Constitution

- Constitution of Talisman Mining Limited

Board

- Code of Conduct – summary
- Policy and Procedure for the Selection and (Re)Appointment of Directors
- Process for Performance Evaluation

Compliance, Controls and Policies

- Risk Management Policy – summary
- Continuous Disclosure Policy – summary
- Securities Trading Policy
- Diversity Policy
- Remuneration Policy

Shareholder Communication

- Shareholder Communication and Investor Relations Policy

DIRECTORS' REPORT

Your directors submit herewith the annual financial report of the consolidated entity (referred to hereafter as the Group) consisting of Talisman Mining Ltd and the entities it controlled during the financial year ended 30 June 2015. 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 extensive experience in design and project development. Prior to joining Talisman, Alan operated as an independent consultant servicing the mineral processing industry. 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 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.
Gary Lethridge B. Comm, CA, FCIS, FGIA, MAICD Appointed 2 February 2009	**Managing Director (Executive/Non-Independent)** Gary is an experienced executive whose industry involvement has included exposure to all phases of mineral 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 resources companies.
Brian Dawes B. Sc. Mining, MAusIMM Appointed 17 June 2009	**Non-Executive Director (Independent)** Brian is a mining engineer with 40 years of international mining industry experience. He holds a BSc in Mining from the University of Leeds UK, and is Member of the Australasian Institute of Mining and Metallurgy. He has worked and resided in the UK, Africa, the Middle East and across Australia and holds several First Class Mine Managers' Certificates of Competency. Brian's diverse expertise covers all key industry aspects from exploration through the discovery, feasibility, funding, approvals, project construction, commissioning, operations, optimisation, logistics, marketing, and closure phases. This includes onsite management and corporate responsibilities in a diversity of challenging and successful underground and open pit operations across many commodities and geographies, with emphasis on copper, nickel, gold, zinc and lead, with iron ore, graphite, and coal. Prior to joining Talisman, Brian held senior positions with Jubilee Mines, Western Areas, LionOre Australia, WMC, Normandy Mining, Aberfoyle, Cyprus Gold, Minproc Engineers and MIM. 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 is a professional non-executive director with over 30 years' finance and commercial experience across several sectors. Karen worked as an Executive for North Ltd throughout Australia for 13 years including at Robe River Iron Associates and Energy Resources of Australia Ltd. Karen holds a number of directorships in Western Australia and is currently the Chair of Strategen Environmental Consulting Pty Ltd, Chair of Community First International Ltd and Director and Chair of the Audit Committee of Landgate. Karen joined the Board of Talisman in 2008 and is Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. With her extensive experience in finance and having chaired a number of Audit Committees, Karen is considered qualified to hold these responsibilities. Karen is a Fellow of Chartered Accountants Australia and New Zealand and is a Member of the Australian Institute of Company Directors.
Graeme Cameron B. Sc (Hons), MSc, MAusIMM Appointed 17 November 2011 Resigned 15 January 2015	**Former 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.

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

DIRECTORS' REPORT

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	15-Nov-12
Alan Senior	Amex Resources Limited	1-Jul-12	29-May-15

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	750,000
Gary Lethridge	1,666,667	2,500,000
Brian Dawes	353,333	500,000
Karen Gadsby	311,334	500,000

Remuneration of key management personnel

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

Share options granted to key management personnel

During and since the end of the financial year an aggregate of 3,500,000 share options were granted to the following directors and senior management as part of their remuneration:

Directors and senior management	Number of options granted	Issuing Entity	Number of ordinary shares under option
Gary Lethridge (i)	2,500,000	Talisman Mining Limited	2,500,000
Karen Gadsby (ii)	500,000	Talisman Mining Limited	500,000
Graham Leaver (iii)	500,000	Talisman Mining Limited	500,000

(i) 625,000 vested on 25 May 2015; 625,000 options vest 24 November 2015; 625,000 options vest 24 May 2016; and 625,000 vest 24 November 2016.

(ii) 125,000 vested on 25 May 2015; 125,000 options vest 24 November 2015; 125,000 options vest 24 May 2016; and 125,000 vest 24 November 2016.

(iii) 125,000 vest on 1 September 2015; 125,000 options vest 1 March 2016; 125,000 options vest 1 September 2016; and 125,000 vest 1 March 2017.

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 is also Talisman's Chief Financial Officer.

Daniel has spent the last 15 years in the resources industry in Western Australia holding positions as Financial Controller for Jubilee Mines NL and General Manager of Finance for Xstrata Nickel Australasia.

Daniel graduated from the University of Birmingham in the UK with a degree in Commerce and Accounting before joining Deloitte in the UK and Australia. He is an Associate Member of the Institute of Chartered Accountants of England and Wales and a member of the Governance Institute of Australia.

Principal activities

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

Review of operations and future developments

A detailed review of operations during the financial year and commentary on future developments is set out in the section titled “Review of Operations” in this Annual Report.

Financial performance and financial position

Financial performance

During the Financial year the Group reported an operating loss after tax of $6,936,903 (2014: loss after tax $1,390,644).

Revenue for the year of $367,760 (2014: $669,570) consisted primarily of bank interest earned on the Group’s short-term deposits held during the year.

The Group recorded a $7,314,675 impairment of exploration expenditure during the year (2014: $594,298) relating to previously capitalised exploration costs written off on non-core tenements relinquished during the year.

Financial position

As at 30 June 2015 the Group had net assets of $39,583,007 (2014: $46,431,979) including $4,865,632 of cash and cash equivalents (2014: $16,083,171).

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

On 10 July 2015 the Company announced that it had raised a total of $8.0 million before costs through a share placement of 17,021,277 shares at $0.47 each. These shares were issued on 17 July 2015.

There has not been any other matter or circumstance occurring subsequent to end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 significant or material environmental breaches have been notified by any government agency during the year ended 30 June 2015.

Dividends

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

DIRECTORS' REPORT

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 options	Expiry date of options
Talisman Mining Limited	150,000	Ordinary	$0.40	30-Sep-16
Talisman Mining Limited	175,000	Ordinary	$0.50	30-Sep-16
Talisman Mining Limited	175,000	Ordinary	$0.60	30-Sep-16
Talisman Mining Limited	562,500	Ordinary	$0.43	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	$0.51	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	$0.60	31-Oct-16
Talisman Mining Limited	562,500	Ordinary	$0.69	31-Oct-16
Talisman Mining Limited	150,000	Ordinary	$0.90	30-Jun-17
Talisman Mining Limited	750,000	Ordinary	$0.41	31-Oct-17
Talisman Mining Limited	750,000	Ordinary	$0.49	31-Oct-17
Talisman Mining Limited	750,000	Ordinary	$0.56	31-Oct-17
Talisman Mining Limited	750,000	Ordinary	$0.64	31-Oct-17
Talisman Mining Limited	125,000	Ordinary	$0.40	1-Mar-18
Talisman Mining Limited	125,000	Ordinary	$0.50	1-Mar-18
Talisman Mining Limited	125,000	Ordinary	$0.60	1-Mar-18
Talisman Mining Limited	125,000	Ordinary	$0.70	1-Mar-18

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

There were no shares or interests issued during or since the end of the financial year as a result of the exercise of options.

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	(125,000)	Ordinary	$0.90	31-Jul-14
Talisman Mining Limited	(125,000)	Ordinary	$0.97	31-Jul-14
Talisman Mining Limited	(125,000)	Ordinary	$1.03	31-Jul-14
Talisman Mining Limited	(125,000)	Ordinary	$1.09	31-Jul-14
Talisman Mining Limited	(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	(400,000)	Ordinary	$0.69	31-Dec-14
Talisman Mining Limited	(400,000)	Ordinary	$0.73	31-Dec-14
Talisman Mining Limited	(400,000)	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

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' REPORT

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, 10 board meetings, 2 audit committee meetings, 1 remuneration committee meeting and 1 nomination committee meeting were held.

Directors	Board of directors		Audit committee		Remuneration committee		Nomination committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Alan Senior	10	9	2	2	1	1	1	1
Gary Lethridge	10	10	–	2	–	1	–	1
Brian Dawes	10	10	2	2	1	1	1	1
Graeme Cameron	5	5	–	1	–	–	–	–
Karen Gadsby	10	10	2	2	1	1	1	1

Note: Executive directors attending committee meetings during the year attended all or part of the meeting 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 37 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 2015. The information in the remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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.

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
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director
Daniel Madden	Chief Financial Officer and Company Secretary
Graham Leaver	Exploration Manager (appointed 19 January 2015)
Graeme Cameron	Technical Director (resigned 15 January 2015)
Peter Cash	Manager Corporate Development (resigned 5 November 2014)

(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 incentives

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 issued during the year vest at various periods during the life of the options and value is only realised by directors and key management personnel upon growth of between 137% and 315% on the 5 day volume weighted share of the Company's share price 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 years ended 30 June 2014 or 30 June 2015.

DIRECTORS' REPORT

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 was utilised to a level of $180,100 (inclusive of superannuation) for the financial year ended 30 June 2015. The fee paid for the 2015 financial year to the Chairman was $72,675 per annum and $45,900 per annum for the non-executive directors (excluding statutory superannuation). All non-executive directors accepted a voluntary 15% reduction in fees and superannuation as a result of a number of cost reduction initiatives introduced to reduce corporate and administrative overheads for the 2015 financial year.

(c) 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's remuneration and other terms are formalised by way of a letter agreement that 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.

Remuneration and other terms of employment for Mr Madden and Mr Leaver are formalised by way of letter agreements which are ongoing. The notice period for Mr Madden 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 and the notice period for Mr Leaver is four weeks and a termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to four weeks' 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 key management personnel (excluding non-executive directors) is recommended annually by the Remuneration Committee in consultation with the Managing Director.

(d) Remuneration of key management personnel

Details of the nature and amount of each element of the remuneration for 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		% of compensation linked to performance
	Salary & fees $	Bonus $	Non-monetary $	Other $	Superannuation $	$	Options (i) $	Total $	%
2015									
Directors									
Alan Senior	72,675	–	–	–	6,904	–	10,339	89,918	11%
Gary Lethridge	281,138	–	14,729	–	26,708	–	147,292	469,867	31%
Brian Dawes	45,900	–	–	–	4,361	–	6,893	57,154	12%
Karen Gadsby	45,900	–	–	–	4,361	–	29,458	79,719	37%
Graeme Cameron (ii)	202,053	–	–	–	22,697	–	–	224,750	0%
Executives									
Daniel Madden	216,000	–	–	–	20,520	–	13,785	250,305	6%
Graham Leaver	75,096	–	–	–	7,134	–	17,734	99,964	18%
Peter Cash	152,017	–	–	–	12,207	–	–	164,224	0%
	1,090,779	–	14,729	–	104,892	–	225,501	1,435,901	

All executive and non-executive directors accepted a voluntary 15% reduction in salary and superannuation as a result of a number of cost reduction initiatives introduced to reduce corporate and administrative overheads for the 2015 financial year. This follows a 10% reduction in salary and superannuation accepted by all directors and executives in the 2014 financial year. Executive and non-executive directors' fees and salary remain unchanged for the 2016 year.

	Salary & fees $	Bonus $	Non-monetary $	Other $	Superannuation $	Other long-term employee benefits $	Options (i) $	Total $	%
2014									
Directors									
Alan Senior	85,500	–	–	–	7,909	–	16,993	110,402	15%
Gary Lethridge	330,750	–	15,980	–	25,000	–	21,308	393,038	5%
Brian Dawes	54,000	–	–	–	4,995	–	11,329	70,324	16%
Karen Gadsby	54,000	–	–	–	4,995	–	–	58,995	0%
Graeme Cameron	270,000	–	–	–	24,975	–	17,377	312,352	6%
Executives									
Daniel Madden	216,000	–	–	–	19,980	–	22,658	258,638	9%
Peter Cash	216,000	–	–	–	19,980	–	–	235,980	0%
	1,226,250	–	15,980	–	107,834	–	89,665	1,439,729	

(i) 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.

(ii) Graeme Cameron resigned on 15 January 2015 and salaries and fees detailed above include annual leave entitlements paid on termination.

DIRECTORS' REPORT

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	Options Series	Grant date	Expiry date	Fair value per option at grant date $	Vesting date
1	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.37	on grant date
2	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.36	17-Jul-12
3	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.36	17-Jan-13
4	Issued 18 July 2011	18-Jul-11	31-Jul-14	$0.35	17-Jul-13
5	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.41	on grant date
6	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.40	31-Dec-11
7	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	30-Jun-12
8	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	31-Dec-12
9	Issued 25 August 2011	25-Aug-11	31-Dec-14	$0.39	30-Jun-13
10	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.21	18-May-12
11	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.20	17-Nov-12
12	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.18	18-May-13
13	Issued 18 November 2011	18-Nov-11	31-Oct-14	$0.17	17-Nov-13
14	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.18	13-Sep-12
15	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.18	15-Mar-13
16	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.16	13-Sep-13
17	Issued 15 March 2012	15-Mar-12	31-Jul-15	$0.16	15-Mar-14
18	Issued 25 November 2013	25-Nov-13	31-Oct-16	$0.04	26-May-14
19	Issued 25 November 2013	25-Nov-13	31-Oct-16	$0.04	25-Nov-14
20	Issued 25 November 2013	25-Nov-13	31-Oct-16	$0.04	26-May-15
21	Issued 25 November 2013	25-Nov-13	31-Oct-16	$0.03	25-Nov-15
22	Issued 5 December 2014	5-Dec-14	31-Oct-17	$0.11	25-May-15
23	Issued 5 December 2014	5-Dec-14	31-Oct-17	$0.10	24-Nov-15
24	Issued 5 December 2014	5-Dec-14	31-Oct-17	$0.10	24-May-16
25	Issued 5 December 2014	5-Dec-14	31-Oct-17	$0.10	24-Nov-16
26	Issued 4 March 2015	4-Mar-15	1-Mar-18	$0.11	1-Sep-15
27	Issued 4 March 2015	4-Mar-15	1-Mar-18	$0.10	1-Mar-16
28	Issued 4 March 2015	4-Mar-15	1-Mar-18	$0.10	1-Sep-16
29	Issued 4 March 2015	4-Mar-15	1-Mar-18	$0.09	1-Mar-17

(i) The fair value per option at grant date is not the exercise price but the non-cash inferred value based upon the Black Scholes option pricing model.

Potential value at the vesting date of options currently granted to directors and key management personnel is only realised by those optionholders upon increases in the Company's share price of between 137% and 471% on the 5 day volume weighted share price at the date of grant of the options and the optionholder subsequently exercising those options. This represents a performance criteria directly related to substantial share price increases prior to realisation 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 29 before the beneficial interest vests in the recipient.

The following grants of share based payment compensation were made to key management personnel during the current financial year.

Name	Options series	During the financial year				
		Number granted	Number vested and exercisable	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Gary Lethridge	22, 23, 24, 25	2,500,000	625,000	25%	N/A	31%
Karen Gadsby	22, 23, 24, 25	500,000	125,000	25%	N/A	37%
Graham Leaver	26, 27, 28, 29	500,000	–	0%	N/A	18%

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 are approved by shareholders at general meetings of the Company.

The assessed fair value at the grant date of options granted to individuals 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.

Inputs into model	Option series (as per previous table)							
	22	23	24	25	26	27	28	29
Exercise price	$ 0.41	$ 0.49	$ 0.56	$ 0.64	$ 0.40	$ 0.50	$ 0.60	$ 0.70
Grant date	5-Dec-14	5-Dec-14	5-Dec-14	5-Dec-14	4-Mar-15	4-Mar-15	4-Mar-15	4-Mar-15
Expiry date	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	1-Mar-18	1-Mar-18	1-Mar-18	1-Mar-18
Share price at grant (5 day VWAP)	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Expected volatility (%)	139%	139%	139%	139%	136%	136%	136%	136%
Risk-free interest rate (%)	2.56%	2.56%	2.56%	2.56%	1.92%	1.92%	1.92%	1.92%

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

DIRECTORS' REPORT

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 or 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 $
Gary Lethridge	252,813	–	(570,000)	(317,188)
Karen Gadsby	50,563	–	(180,000)	(129,438)
Graeme Cameron	–	–	(396,000)	(396,000)
Graham Leaver	49,245	–	–	49,245
Peter Cash	–	–	(396,000)	(396,000)

(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 total fair value determined at issue date.

(e) Other transactions with key management personnel

During the year ended 30 June 2014 the Group paid $3,750 to Ailie Services Pty Ltd, a related party of Mr Brian Dawes, for consultancy services provided over a 3 day period which were deemed to be provided outside the ordinary requirements of Non-Executive Director duties. This transaction was made on normal terms and conditions.

There were no other transactions with key management personnel of the Group during the 2015 and 2014 financial years.

(f) Shareholdings of key management personnel

	Opening bal at 1 July	Balance at date appointment	Shares received on exercise of options	Net other change	Balance on resignation	Balance at 30 June
	Number	Number	Number	Number	Number	Number
2015						
Directors						
Alan Senior	116,666	N/A	–	–	N/A	116,666
Gary Lethridge	1,666,667	N/A	–	–	N/A	1,666,667
Brian Dawes	353,333	N/A	–	–	N/A	353,333
Karen Gadsby	311,334	N/A	–	–	N/A	311,334
Graeme Cameron	–	N/A	–	–	–	N/A
Executives						
Daniel Madden	–	N/A	–	–	N/A	–
Graham Leaver	N/A	–	–	–	N/A	–
Peter Cash	495,000	N/A	–	–	495,000	N/A
	2,943,000	–	–	–	495,000	2,448,000

	Opening bal at 1 July	Balance at date appointment	Shares received on exercise of options	Net other change	Balance on resignation	Balance at 30 June
	Number	Number	Number	Number	Number	Number
2014						
Directors						
Alan Senior	116,666	N/A	–	–	N/A	116,666
Gary Lethridge	1,666,667	N/A	–	–	N/A	1,666,667
Graeme Cameron	–	N/A	–	–	N/A	–
Brian Dawes	353,333	N/A	–	–	N/A	353,333
Karen Gadsby	311,334	N/A	–	–	N/A	311,334
Executives						
Peter Cash	350,000	N/A	–	145,000	N/A	495,000
Daniel Madden	–	N/A	–	–	N/A	–
	2,798,000	–	–	145,000	–	2,943,000

(g) Option holdings of key management personnel

	Opening balance at 1 July	Granted as remuner-ation	Options exercised	Net other change	Balance on resignation	Closing balance at 30 June	Vested but not exercis-able	Vested during the year	Vested and exercisable at 30 June
	Number	Number	Number	Number	Number	Number	Number	Number	Number
2015									
Directors									
Alan Senior	750,000	–	–	–	N/A	750,000	–	375,000	562,500
Gary Lethridge	3,000,000	2,500,000	–	(3,000,000)	N/A	2,500,000	–	625,000	625,000
Brian Dawes	500,000	–	–	–	N/A	500,000	–	250,000	375,000
Karen Gadsby	500,000	500,000	–	(500,000)	N/A	500,000	–	125,000	125,000
Graeme Cameron	2,000,000	–	–	(1,000,000)	1,000,000	N/A	–	–	N/A
Executives									
Daniel Madden	1,000,000	–	–	–	N/A	1,000,000	–	500,000	750,000
Graham Leaver	–	500,000	–	–	N/A	500,000	–	–	–
Peter Cash	1,000,000	–	–	(1,000,000)	–	N/A	–	–	–
	8,750,000	3,500,000	–	(5,500,000)	1,000,000	5,750,000	–	1,875,000	2,437,500

DIRECTORS' REPORT

	Opening balance at 1 July	Granted as remuneration	Options exercised	Net other change	Balance on resignation	Closing balance at 30 June	Vested but not exercisable	Vested during the year	Vested and exercisable at 30 June
	Number	Number	Number	Number	Number	Number	Number	Number	Number
2014									
Directors									
Alan Senior	1,000,000	750,000	–	(1,000,000)	N/A	750,000	–	187,500	187,500
Gary Lethridge	3,000,000	–	–	–	N/A	3,000,000	–	750,000	3,000,000
Brian Dawes	–	500,000	–	–	N/A	500,000	–	125,000	125,000
Karen Gadsby	500,000	–	–	–	N/A	500,000	–	125,000	500,000
Graeme Cameron	2,000,000	–	–	–	N/A	2,000,000	–	500,000	2,000,000
Executives									
Daniel Madden	1,000,000	1,000,000	–	(1,000,000)	N/A	1,000,000	–	250,000	250,000
Peter Cash	1,000,000	–	–	–	N/A	1,000,000	–	–	1,000,000
	8,500,000	2,250,000	–	(2,000,000)	–	8,750,000	–	1,937,500	7,062,500

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, 30 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Talisman Mining Limited for the year ended 30 June 2015, 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
30 September 2015

M R W Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, 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 financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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*.

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2015 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 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
30 September 2015

INDEX TO THE 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 2015 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, 30 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 Jun 15 $	30 Jun 14 $
Continuing operations			
Other income	3	367,760	669,570
Employee benefits expense	4	(876,454)	(764,667)
Exploration expenditure expensed as incurred		(610,948)	(452,465)
Impairment of exploration expenditure	10	(7,314,675)	(594,298)
Occupancy expenses	4	(169,386)	(300,681)
Administrative expenses		(496,768)	(177,699)
Depreciation and amortisation expense		(90,623)	(133,606)
Disposal of fixed assets		1,818	(29,955)
Impairment of available-for-sale financial assets	8	(426,000)	–
Loss before income tax expense		**(9,615,276)**	**(1,783,801)**
Income tax benefit	5	2,678,373	393,157
Loss after tax from continuing operations		**(6,936,903)**	**(1,390,644)**
Net loss for the period		**(6,936,903)**	**(1,390,644)**
Other comprehensive income for the period, net of tax			
Items that may be reclassified to profit or loss			
Net change in the fair value of available-for-sale financial assets	8	(156,300)	177,500
Other comprehensive income for the period, net of tax		**(156,300)**	**177,500**
Total comprehensive loss for the period		**(7,093,203)**	**(1,213,144)**
Loss per share:			
Basic loss per share (cents per share)	16	(5.27)	(1.06)
Diluted loss per share (cents per share)	16	n/a	n/a

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	30 Jun 15 $	30 Jun 14 $
Assets			
Current Assets			
Cash and cash equivalents	6	4,865,632	16,083,171
Trade and other receivables	7	200,627	370,086
Total Current Assets		5,066,259	16,453,257
Non-Current Assets			
Receivables	7	60,184	70,184
Other financial assets	8	130,700	713,000
Property, plant and equipment	9	2,810,786	261,096
Deferred exploration and evaluation expenditure	10	40,084,747	31,930,540
Total Non-Current Assets		43,086,417	32,974,820
Total Assets		**48,152,676**	**49,428,077**
Liabilities			
Current Liabilities			
Trade and other payables	11	380,886	213,850
Employee benefits	12	72,500	33,428
Total Current Liabilities		453,386	247,278
Non-Current Liabilities			
Deferred tax liabilities	5	70,449	2,748,820
Provisions	13	8,045,834	–
Total Non-Current Liabilities		8,116,283	2,748,820
Total Liabilities		**8,569,669**	**2,996,098**
Net Assets		**39,583,007**	**46,431,979**
Equity			
Issued capital	14	37,404,278	37,404,278
Reserves	15	469,831	1,923,900
Retained earnings	15	1,708,898	7,103,801
Total Equity		**39,583,007**	**46,431,979**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital $	Retained Earnings $	Asset Revaluation Reserve $	Share-based Payments Reserve $	Total Equity $
Balance at 1 July 2013	37,404,278	7,144,045	–	3,003,293	47,551,616
Loss for the period	–	(1,390,644)	–	–	(1,390,644)
Net change in fair value of available-for-sale financial assets	–	–	177,500	–	177,500
Total comprehensive income/(loss) for the period	–	(1,390,644)	177,500	–	(1,213,144)
Shares issued during the year	–	–	–	–	–
Recognition of share-based payments	–	–	–	93,507	93,507
Transfer on exercise of options	–	–	–	–	–
Unlisted options lapsing	–	1,350,400	–	(1,350,400)	–
Balance at 30 June 2014	**37,404,278**	**7,103,801**	**177,500**	**1,746,400**	**46,431,979**
Balance at 1 July 2014	37,404,278	7,103,801	177,500	1,746,400	46,431,979
Loss for the period	–	(6,936,903)	–	–	(6,936,903)
Net change in fair value of available-for-sale financial assets	–	–	(156,300)	–	(156,300)
Total comprehensive income/(loss) for the period	–	(6,936,903)	(156,300)	–	(7,093,203)
Shares issued during the year	–	–	–	–	–
Recognition of share-based payments	–	–	–	244,231	244,231
Transfer on exercise of options	–	–	–	–	–
Unlisted options lapsing	–	1,542,000	–	(1,542,000)	–
Balance at 30 June 2015	**37,404,278**	**1,708,898**	**21,200**	**448,631**	**39,583,007**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	30 Jun 15 $	30 Jun 14 $
		inflows/(outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(1,264,359)	(1,237,642)
Interest received		440,982	673,419
Interest paid		(225)	–
Net cash used in operating activities	6	(823,602)	(564,223)
Cash flows from investing activities			
Payments for exploration projects	27	(5,954,166)	–
Payments for property, plant and equipment		(2,657,213)	(817)
Proceeds from sale of plant and equipment		1,818	1,818
Payments for exploration and evaluation expenditure		(1,784,376)	(2,826,263)
Net cash used in investing activities		(10,393,937)	(2,825,262)
Cash flows from financing activities			
Net cash provided by financing activities		–	–
Net decrease in cash held		(11,217,539)	(3,389,485)
Cash and cash equivalents at the beginning of the period		16,083,171	19,472,656
Cash and cash equivalents at the end of the period	6	4,865,632	16,083,171

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Talisman Mining Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol "TLM") and operating in Australia.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report was authorised for issue on 30 September 2015.

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 ended 30 June 2015.

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.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Talisman Mining Limited ('Company') as at 30 June 2015 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. These costs may be carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In conducting the review, the directors also consider whether facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These facts and circumstances include:

(i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) exploration expenditure on further exploration for and evaluation of mineral resources in, or relating to, the area of interest is neither budgeted nor planned; and

(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

The ultimate recoupment of the costs carried forward is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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.

Provision for mine closure

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates and changes in discount rates.

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 and changes in accounting policy on initial application of Accounting Standards

In the year ended 30 June 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact material or otherwise, of these new and revised Standards and Interpretations on the Group's 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 year ended 30 June 2015. 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 the Group's business and therefore, no change necessary to Group accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, long service leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and any other employee benefits expected to be settled within 12 months of the balance date are recognised in other payables and are measured at the nominal amounts based on remuneration rates which are 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. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 groups 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 differences 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 operations

The Group has an interest in an exploration joint venture which is a contractual arrangement whereby the parties have joint control to the rights to the assets, and obligations for the liabilities, relating to the arrangement.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with AASBs applicable to the particular assets, liabilities, revenues and expenses. Details of the Group's interests are disclosed in Note 21.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Mine site plant and equipment	Units of production
Office furniture and equipment	2-6 years
Motor vehicles	8-10 years
Leasehold improvements	10 years

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

l. Leases

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance lease assets are depreciated on a straight-line basis over the estimated useful life of the asset.

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

m. Provisions

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

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

n. Provision for mine closure

A provision for mine closure is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for mine closure costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the mine closure provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for mine closure costs are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- Interest income – recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- Gains from sale of exploration interests – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 24 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 15 $	30 Jun 14 $
Bank interest received and receivable	359,760	645,570
Other income	8,000	24,000
	367,760	669,570

4. EXPENSES

	30 Jun 15 $	30 Jun 14 $
Loss for the year includes the following expenses:		
Non-cash share based payment expense	244,231	93,507
Operating lease rental expense	169,386	300,681

5. INCOME TAX

	30 Jun 15 $	30 Jun 14 $
Income tax recognised in profit or loss		
The major components of tax expense are:		
Current tax benefit	(2,678,373)	(393,157)
Total tax benefit	(2,678,373)	(393,157)
Attributable to:		
Continuing operations	(2,678,373)	(393,157)
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before income tax	(9,615,276)	(1,783,801)
Income tax benefit calculated at 30% (2014: 30%)	(2,884,583)	(535,140)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Share-based payments	73,269	28,052
Impairment expense	127,800	-
Other	43,064	(8,838)
Movement in current year temporary differences	(924,681)	(918,389)
Effect of unused losses not recognised as deferred tax assets	886,758	1,041,158
Income tax benefit reported in the statement of comprehensive income	(2,678,373)	(393,157)
Deferred tax liabilities		
Opening balance	2,748,820	3,141,978
Temporary differences arising from exploration	(1,753,738)	505,530
Carry forward losses from current year not recognised as deferred tax assets	(886,758)	(1,041,158)
Deductible temporary differences	(37,875)	142,470
	70,449	2,748,820
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	2,135,790	1,961,100
A deferred tax asset has not been recognised in equity in respect of the following item:		
Impairment of available-for-sale financial assets	46,890	53,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

	30 Jun 15 $	30 Jun 14 $
Cash at bank and on hand	348,229	263,171
Short-term deposits	4,517,403	15,820,000
	4,865,632	16,083,171

(b) Reconciliation of loss for the year to net cash flow from operating activities

	30 Jun 15 $	30 Jun 14 $
Loss for the year after tax	(6,936,903)	(1,390,644)
Impairment of available-for-sale financial assets	426,000	–
Depreciation and amortisation	90,623	133,606
Exploration expenditure expensed as incurred	610,948	452,465
Impairment of exploration	7,314,675	594,298
Disposal of fixed assets	(1,818)	29,955
Equity settled share-based payments	244,231	93,507
Changes in net assets and liabilties		
(Increase)/decrease in assets:		
Trade and other receivables	90,258	10,488
Increase/(decrease) in liabilities:		
Trade and other payables	(22,315)	(12,488)
Provisions	39,072	(82,254)
Deferred tax liability	(2,678,373)	(393,156)
Net cash used in operating activities	(823,602)	(564,223)

(c) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the current or prior year.

7. TRADE AND OTHER RECEIVABLES

	30 Jun 15 $	30 Jun 14 $
Current		
Goods and services tax recoverable	22,970	19,816
Other debtors	35,598	43,451
Other debtors - security bonds	-	162,000
Prepayments and accrued income	142,059	144,819
	200,627	370,086
Non-Current		
Other debtors - security bonds	60,184	70,184

Due to the nature of the Group's receivables, no ageing is presented.

8. OTHER FINANCIAL ASSETS

	30 Jun 15 $	30 Jun 14 $
Non-Current		
Available-for-sale listed investments carried at fair value	130,700	713,000

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 charge of $426,000 (2014: nil) and a loss of $156,300, being comprised of a loss of $163,300 and a gain of $7,000 on different investments (2014: gain of $177,500) being recognised in the statement of comprehensive income in the line item "Net change in the fair value 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 share price of the investment below cost as quoted by the Australian Securities Exchange.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture and equipment $	Leasehold improve–ments $	Plant and equipment $	Motor vehicles $	Total $
Year ended 30 June 2015					
At 1 July 2014, net of accumulated depreciation	102,600	11,177	–	147,319	261,096
Additions	4,311	–	2,636,002	–	2,640,313
Disposals	–	–	–	–	–
Depreciation charge for the year	(53,445)	(4,863)	–	(32,315)	(90,623)
	53,466	6,314	2,636,002	115,004	2,810,786
Year ended 30 June 2014					
At 1 July 2013, net of accumulated depreciation	173,976	48,598	–	181,872	404,446
Additions	22,029	–	–	–	22,029
Disposals	(1,000)	(30,773)	–	–	(31,773)
Depreciation charge for the year	(92,405)	(6,648)	–	(34,553)	(133,606)
	102,600	11,177	–	147,319	261,096
At 30 June 2015					
Cost or fair value	562,177	25,438	2,636,002	276,426	3,500,043
Accumulated depreciation	(508,711)	(19,124)	–	(161,422)	(689,257)
Net carrying amount	53,466	6,314	2,636,002	115,004	2,810,786
At 30 June 2014					
Cost or fair value	557,866	25,439	–	276,426	859,731
Accumulated depreciation	(455,266)	(14,262)	–	(129,107)	(598,635)
Net carrying amount	102,600	11,177	–	147,319	261,096

The carrying value of plant and equipment held under finance lease and hire purchase contracts as at 30 June 2015 is nil (2014: nil).

Plant and equipment at a value of $2,636,002 was acquired during the year as part of the acquisition of the Sinclair Nickel Project (refer to Note 27).

10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30 Jun 15 $	30 Jun 14 $
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	31,930,540	30,245,441
Expenditure incurred	1,468,882	2,279,397
Acquisition of projects (Note 27)	14,000,000	–
	47,399,422	32,524,838
Expenditure written off	(7,314,675)	(594,298)
	40,084,747	31,930,540

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.

During the year the Group wrote off $7,314,675 which included $2,393,866 and $810,414 of historical costs carried forward on the Group's wholly owned Livingstone and Muddawerrie Projects respectively, and $3,072,844 and $1,037,551 of historical costs carried forward on the Group's Shelby and Milgun projects respectively, following relinquishment of the tenements during the year.

11. TRADE AND OTHER PAYABLES

	30 Jun 15 $	30 Jun 14 $
Current		
Trade payables	73,056	60,354
Accruals	273,142	24,424
Other payables	34,688	129,072
	380,886	213,850

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

12. EMPLOYEE BENEFITS

	30 Jun 15 $	30 Jun 14 $
Current		
Employee benefits	72,500	33,428

Employee benefits relates to annual leave and long service leave entitlements accrued to employees.

13. PROVISIONS

	30 Jun 15 $	30 Jun 14 $
Non-Current		
Provision for mine closure (Note 27)	8,045,834	–

Provision for mine closure is the estimated present value of the mine closure and rehabilitation costs of the Sinclair mine. The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligations at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision for mine closure at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. ISSUED CAPITAL

	30 Jun 15 $	30 Jun 14 $
Ordinary shares		
Issued and fully paid	37,404,278	37,404,278

	30 Jun 15		30 Jun 14	
	Number	$	Number	$
Movements in ordinary shares on issue				
At 1 July	131,538,627	37,404,278	131,538,627	37,404,278
At 30 June	131,538,627	37,404,278	131,538,627	37,404,278

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

Movements in options over ordinary shares on issue				
At 1 July	8,750,000	1,746,400	8,800,000	3,003,293
Directors' remuneration	3,000,000	193,982	1,250,000	67,007
Employees' remuneration	1,000,000	50,249	1,000,000	26,500
Unlisted Options Lapsing	(5,500,000)	(1,542,000)	(2,300,000)	(1,350,400)
At 30 June	7,250,000	448,631	8,750,000	1,746,400

Share options are exercisable on a 1:1 basis at various exercise prices. The options expire between 31 July 2015 and 1 March 2018. 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 15 $	30 Jun 14 $
Retained Earnings		
Balance at beginning financial year	7,103,801	7,144,045
Net loss for the year	(6,936,903)	(1,390,644)
Transfer on expiry of unexercised options	1,542,000	1,350,400
Balance at end of financial year	1,708,898	7,103,801
Reserves		
Asset revaluation reserve	21,200	177,500
Share based payment reserve	448,631	1,746,400
Balance at end of financial year	469,831	1,923,900

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 loss per share

	30 Jun 15 cents	30 Jun 14 cents
Basic loss per share	(5.27)	(1.06)
	$	**$**
Net loss for the period	(6,936,903)	(1,390,644)
	Number	**Number**
Weighted average number of ordinary shares for the purpose of basic loss per share	131,538,627	131,538,627

Diluted loss per share

Diluted loss per share was not calculated for the years ended 30 June 2015 and 30 June 2014 as the Company was in a loss making situation which did not increase the loss per share.

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 15 $	30 Jun 14 $
Exploration expenditure		
Within one year	2,374,865	519,620
After one year but not more than five years	9,080,766	641,680
Greater than five years	21,088,976	–
	32,544,607	1,161,300

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.

Operating leases

Operating lease arrangements comprise an agreement for the rental of office space with a lease term of 2 years; storage facilities with a lease term of 1 year and a motor vehicle operating lease with a term of 2 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 Jun 15 $	30 Jun 14 $
Non-cancellable operating lease commitments		
Within one year	139,914	147,880
After one year but not more than five years	23,269	121,875
Greater than five years	–	–
	163,183	269,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

(a) Introduction

The Group has exposure to the following risks arising from 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 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 15 $	30 Jun 14 $
Financial assets		
Cash and cash equivalents	4,865,632	16,083,171
Receivables	260,811	440,270
Available-for-sale investments	130,700	713,000
	5,257,143	17,236,441
Financial liabilities		
Trade and other payables	380,886	213,850
Other financial liabilities	72,500	33,428
	453,386	247,278

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 a loss of $156,300 (2014: gain of $177,500) recognised in the statement of comprehensive income in the line item "Net change in the fair value 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.

18. FINANCIAL INSTRUMENTS (CONTINUED)

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 its non-derivative financial assets and liabilities and have 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 to 3 months $	3 months to 1 year $	1 to 5 years $	5+ years $	No fixed term $	Total $
2015							
Financial Assets							
Non-interest bearing	22,995	–	–	–	–	–	22,995
Variable interest rate	348,204	–	–	–	–	–	348,204
Fixed interest rate	1,001,907	3,379,254	–	162,000	–	–	4,543,161
	1,373,106	3,379,254	–	162,000	–	–	4,914,360
Financial Liabilities							
Non-interest bearing	380,886	–	72,500	–	–	–	453,386
Fixed interest rate	–	–	–	–	–	–	–
	380,886	–	72,500	–	–	–	453,386
2014							
Financial Assets							
Non-interest bearing	19,968	–	–	–	–	–	19,968
Variable interest rate	263,019	–	–	–	–	–	263,019
Fixed interest rate	8,779,005	7,061,364	121,504	162,000	–	–	16,123,873
	9,061,992	7,061,364	121,504	162,000	–	–	16,406,860
Financial Liabilities							
Non-interest bearing	139,850	–	33,428	–	–	–	173,278
Fixed interest rate	–	–	–	–	–	–	–
	139,850	–	33,428	–	–	–	173,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest rate risk

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

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

Interest 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 $1,741 (2014: net loss reduced by $1,315).

(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 2015 and 30 June 2014.

	Level 1 $	Level 2 $	Level 3 $	Total $
2015				
Assets				
Available-for-sale financial assets	130,700	–	–	130,700
2014				
Assets				
Available-for-sale financial assets	713,000	–	–	713,000

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 nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

19. SHARE-BASED PAYMENTS (CONTINUED)

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 reporting period:

Options Series	Number	Grant date	Expiry date	Vesting date	Exercise price	Fair value per option at grant date	Expired / lapsed
					$	$	
1	125,000	18-Jul-11	31-Jul-14	on grant date	$0.90	$0.37	i
2	125,000	18-Jul-11	31-Jul-14	17-Jul-12	$0.97	$0.36	i
3	125,000	18-Jul-11	31-Jul-14	17-Jan-13	$1.03	$0.36	i
4	125,000	18-Jul-11	31-Jul-14	17-Jul-13	$1.09	$0.35	i
5	400,000	25-Aug-11	31-Dec-14	on grant date	$0.69	$0.41	i
6	400,000	25-Aug-11	31-Dec-14	31-Dec-11	$0.73	$0.40	i
7	400,000	25-Aug-11	31-Dec-14	30-Jun-12	$0.78	$0.39	i
8	400,000	25-Aug-11	31-Dec-14	31-Dec-12	$0.83	$0.39	i
9	400,000	25-Aug-11	31-Dec-14	30-Jun-13	$0.85	$0.39	i
10	750,000	18-Nov-11	31-Oct-14	18-May-12	$0.72	$0.21	i
11	750,000	18-Nov-11	31-Oct-14	17-Nov-12	$0.80	$0.20	i
12	750,000	18-Nov-11	31-Oct-14	18-May-13	$1.00	$0.18	i
13	750,000	18-Nov-11	31-Oct-14	17-Nov-13	$1.12	$0.17	i
14	250,000	15-Mar-12	31-Jul-15	13-Sep-12	$1.02	$0.18	
15	250,000	15-Mar-12	31-Jul-15	15-Mar-13	$1.13	$0.18	
16	250,000	15-Mar-12	31-Jul-15	13-Sep-13	$1.41	$0.16	
17	250,000	15-Mar-12	31-Jul-15	15-Mar-14	$1.53	$0.16	
18	562,500	25-Nov-13	31-Oct-16	26-May-14	$0.43	$0.04	
19	562,500	25-Nov-13	31-Oct-16	25-Nov-14	$0.51	$0.04	
20	562,500	25-Nov-13	31-Oct-16	26-May-15	$0.60	$0.04	
21	562,500	25-Nov-13	31-Oct-16	25-Nov-15	$0.69	$0.03	
22	750,000	5-Dec-14	31-Oct-17	25-May-15	$0.41	$0.11	
23	750,000	5-Dec-14	31-Oct-17	24-Nov-15	$0.49	$0.10	
24	750,000	5-Dec-14	31-Oct-17	24-May-16	$0.56	$0.10	
25	750,000	5-Dec-14	31-Oct-17	24-Nov-16	$0.64	$0.10	
26	125,000	4-Mar-15	1-Mar-18	1-Sep-15	$0.40	$0.11	
27	125,000	4-Mar-15	1-Mar-18	1-Mar-16	$0.50	$0.10	
28	125,000	4-Mar-15	1-Mar-18	1-Sep-16	$0.60	$0.10	
29	125,000	4-Mar-15	1-Mar-18	1-Mar-17	$0.70	$0.09	
30	150,000	5-Mar-15	30-Sep-16	11-Jul-15	$0.40	$0.07	
31	175,000	5-Mar-15	30-Sep-16	12-Oct-15	$0.50	$0.06	
32	175,000	5-Mar-15	30-Sep-16	12-Jun-16	$0.60	$0.06	

(i) These options expired/lapsed during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the share options granted during the financial year is $383,969 (2014: $85,895). 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										
	22	23	24	25	26	27	28	29	30	31	32
Exercise price	$ 0.41	$ 0.49	$ 0.56	$ 0.64	$ 0.40	$ 0.50	$ 0.60	$ 0.70	$ 0.40	$ 0.50	$ 0.60
Grant date share price (5 day VWAP)	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.17
Expected volatility	139%	139%	139%	139%	136%	136%	136%	136%	136%	136%	136%
Risk-free interest rate	2.56%	2.56%	2.56%	2.56%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected life of options (years)	2.91	2.91	2.91	2.91	2.99	2.99	2.99	2.99	1.57	1.57	1.57

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

	30-Jun-15		30-Jun-14	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	8,750,000	0.84	8,800,000	1.00
Granted during the year	4,000,000	0.53	2,250,000	0.56
Exercised during the year	–	–	–	–
Expired during the year	(5,500,000)	0.87	(2,300,000)	1.18
Outstanding at the end of the year	7,250,000	0.64	8,750,000	0.84
Exercisable at end of the financial year	3,437,500	0.71	7,062,500	0.89

The weighted average fair value of options granted during the year was $0.10.

Exercised during the financial year

No options were exercised during the financial year.

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 1.67 years (2014: 0.96 years). The range of exercises prices for options outstanding at the end of the year was $0.40 to $1.53 (2014: $0.43 to $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
Graeme Cameron	Technical Director (resigned 15 January 2015)
Brian Dawes	Non-Executive Director
Karen Gadsby	Non-Executive Director

Executives

Daniel Madden	Chief Financial Officer and Company Secretary
Graham Leaver	Exploration Manager (appointed 19 January 2015)
Peter Cash	Manager Corporate Development (resigned 5 November 2014)

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

The total remuneration paid to key management personnel of the Company and the Group during the year was as follows:

	30 Jun 15 $	30 Jun 14 $
Short-term employee benefits	1,105,508	1,242,230
Post-employment benefits	104,892	107,834
Other long-term benefits	–	–
Share-based payments (i)	225,501	89,665
Total key management personnel compensation	1,435,901	1,439,729

(i) 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.

Other transactions with key management personnel

There were no other transactions with key management personnel of the Group during the 2015 financial year.

During the year ended 30 June 2014 the Group paid $3,750 to Ailie Services Pty Ltd, a related party of Mr Brian Dawes, for consultancy services provided over a 3 day period which were deemed to be provided outside the ordinary requirements of Non-Executive Director duties. This transaction was made on normal terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. JOINT OPERATION

The Group has a 62.9% (2014: 62.9%) interest in the Halloween West Joint Venture. The Halloween West Joint Venture was formed in 2012 when the Company reached agreement with Chrysalis Resources Ltd to farm into the Halloween West Copper-Gold Project. In October 2014 Sandfire Resources acquired the interest held by Chrysalis Resources and the Joint Venture is now between the Company and Sandfire. Under the terms of the agreement the Company is the Joint Venture Manager, and is the majority holder of the project.

The joint operation accounts, which are proportionately consolidated based on the above equity percentage in the consolidated financial statements, are disclosed as follows:

Financial Position

	30 Jun 15 $	30 Jun 14 $
Assets		
Cash and cash equivalents	50,598	50,097
Receivables	798	332
Deferred exploration and evaluation expenditure	936,312	928,288
Total assets	987,708	978,717
Liabilities		
Amounts payable to Talisman Mining Ltd	62,699	54,675
Total liabilities	62,699	54,675
Net assets	925,009	924,042
Groups ownership share of net assets	62.90%	62.90%
Carrying amount of interest in joint venture	581,831	581,222

The joint venture has no contingent liabilities and capital commitments with the exception that in order to maintain current rights of tenure to exploration tenements, the joint venture 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:

Commitments for expenditure

	30 Jun 15 $	30 Jun 14 $
Exploration expenditure		
Within one year	50,000	50,000
After one year but not more than five years	130,548	180,685
Greater than five years	–	–
	180,548	230,685

22. 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.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability exists for a deferred consideration payment of $2.0 million for the Sinclair Nickel Project, to be paid six months following the receipt of the first payment for the sale of nickel product should production recommence within 6 years of transaction completion. This contingent consideration is dependent on a number of factors that are unknown at the date of this financial report which include amongst others, material future exploration success and future nickel prices.

In the opinion of the Directors there are no other contingent liabilities or assets as at 30 June 2015 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this financial report.

24. PARENT ENTITY DISCLOSURES

Disclosures as at 30 June 2015 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below.

Financial Position

	30 Jun 15 $	30 Jun 14 $
Assets		
Current assets	5,066,248	16,455,920
Non-current assets	34,776,866	32,972,147
Total assets	39,843,114	49,428,067
Liabilities		
Current liabilities	189,658	247,266
Non-current liabilities	70,449	2,748,822
Total liabilities	260,107	2,996,088
Net assets	39,583,007	46,431,979
Equity		
Issued capital	37,404,278	37,404,278
Reserves		
Asset revaluation reserve	21,200	177,500
Share based payment reserve	448,631	1,746,400
Retained earnings	1,708,898	7,103,801
Total equity	39,583,007	46,431,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PARENT ENTITY DISCLOSURES (CONTINUED)

Financial Performance

	30 Jun 15 $	30 Jun 14 $
Loss for the year	(5,395,357)	(1,466,065)
Net change in the fair value of available for sale financial assets	(156,300)	177,500
Total comprehensive loss	(5,551,657)	(1,288,565)

Commitments for expenditure

	30 Jun 15 $	30 Jun 14 $
Exploration expenditure		
Within one year	245,705	334,280
After one year but not more than five years	834,563	261,437
Greater than five years	–	–
	1,080,268	595,717

Non-cancellable operating lease commitments		
Within one year	139,914	–
After one year but not more than five years	23,269	–
Greater than five years	–	–
	163,183	–

25. 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	
		2015 %	2014 %	2015 $	2014 $
Talisman A Pty Ltd	Australia	100	100	10	10
Talisman Nickel Pty Ltd	Australia	100	–	1	–
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.

26. REMUNERATION OF AUDITORS

The auditor of Talisman Mining Limited is HLB Mann Judd.

	30 Jun 15 $	30 Jun 14 $
Audit or review of the financial report	34,500	29,800

27. ACQUISITION OF ASSETS

On 18 October 2014 Talisman Nickel Pty Ltd, a wholly owned subsidiary of Talisman Mining Limited, entered into an agreement with Xstrata Nickel Australasia Operations Pty Ltd. (XNAO), a subsidiary of Glencore plc to acquire 100% of the wholly owned Sinclair Nickel Project from XNAO.

On acquisition at 5 February 2015 Talisman Nickel Pty Ltd assumed all environmental liabilities and obligations, and made the following payments for the acquisition;

- a cash payment of $7,950,000;
- $130,996 of transaction costs;
- $509,173 relating to stamp duty; and
- a contingent deferred payment of $2 million dependent on production being recommenced within 6 years of transaction completion.[1]

The fair value of the identifiable assets and liabilities of the Sinclair Project Nickel Project as at the date of acquisition are:

	Recognised on acquisition $
Deferred exploration and evaluation expenditure (Note 10)	14,000,000
Property, plant and equipment (Note 9)	2,636,002
Provision for mine closure (Note 13)	(8,045,834)
Fair value of identifiable net assets	8,590,168
Cost of the acquisition	
Cash payment	7,950,000
Transaction costs	130,996
Stamp duty	509,172
Total cost of the acquisition	8,590,168
Cash payments associated with acquisition	
Payments for exploration projects	5,954,166
Payments for property, plant and equipment	2,636,002
	8,590,168

[1]The contingent consideration is dependent on a number of factors that were unknown at the time of acquisition and remain unknown at this time, which include amongst others, material future exploration success and future nickel prices.

Accordingly given the inherent uncertainty of the contingent payment being realised it does not form part of the recognised purchase consideration for valuation purposes.

28. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 July 2015 the Company announced that it had raised a total of $8.0 million before costs through a share placement of 17,021,277 shares at $0.47 each. These shares were issued on 17 July 2015.

There has not been any other matter or circumstance occurring subsequent to end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 21 SEPTEMBER 2015

1. NUMBER OF HOLDERS OF EQUITY SECURITIES

(a) Distribution of holders of equity securities

		Fully paid ordinary shares	Number of holders
1	to 1,000	177	100,638
1,001	to 5,000	635	2,003,539
5,001	to 10,000	483	4,170,338
10,001	to 100,000	946	35,313,901
100,001	and over	233	106,971,488
		2,474	148,559,904

(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 182 (holding a total of 105,809 shares) given a share value of $0.47 per share.

(d) Substantial Shareholdings:

Ordinary Shareholders	Fully paid ordinary shares	
	Number	%
Mr Kerry Kyriakos Harmanis	18,603,027	12.52%

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 PRINCIPAL ADMINISTRATIVE OFFICE

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

Registered securities are held at the following address:
Link Market Services Limited
Level 4, Central Park
152 St Georges Terrace
Perth Western Australia 6000

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	%
1	TYCHE HOLDINGS PTY LTD	6,400,001	4.31%
2	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,247,564	3.53%
3	HARMANIS HOLDINGS PTY LTD	4,117,575	2.77%
4	TYCHE HOLDINGS PTY LTD	3,510,000	2.36%
5	COLBERN FIDUCIARY NOMINEES PTY LTD	3,080,451	2.07%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,948,000	1.98%
7	GROSVENOR PIRIE MANAGEMENT LTD	2,585,000	1.74%
8	HAWERA PTY LTD	2,383,333	1.60%
9	NATIONAL NOMINEES LIMITED	2,243,071	1.51%
10	MRS JASMINE KAILIS	2,045,000	1.38%
11	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,937,076	1.30%
12	SIREB PTY LTD	1,904,464	1.28%
13	GROSVENOR PIRIE MANAGEMENT LTD	1,857,395	1.25%
14	REDCODE PTY LTD	1,550,000	1.04%
15	SYDNEY FUND MANAGERS LIMITED	1,500,000	1.01%
16	TYCHE HOLDINGS PTY LTD	1,470,000	0.99%
17	AVERILL CUSTODIANS PTY LIMITED	1,300,000	0.88%
18	INVESTMENT HOLDINGS PTY LTD	1,244,681	0.84%
19	HAWERA PTY LTD	1,100,000	0.74%
20	CITICORP NOMINEES PTY LIMITED	1,062,685	0.72%
		49,486,296	33.31%

ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 21 SEPTEMBER 2015

7. UNQUOTED EQUITY SECURITIES

Class	Exercise Price $	Expiry Date	Number	Number of holders
Unlisted options	$0.40	30-Sep-16	150,000	1
Unlisted options	$0.50	30-Sep-16	175,000	1
Unlisted options	$0.60	30-Sep-16	175,000	1
Unlisted options	$0.43	31-Oct-16	562,500	3
Unlisted options	$0.51	31-Oct-16	562,500	3
Unlisted options	$0.60	31-Oct-16	562,500	3
Unlisted options	$0.69	31-Oct-16	562,500	3
Unlisted options	$0.90	30-Jun-17	150,000	1
Unlisted options	$0.41	31-Oct-17	750,000	2
Unlisted options	$0.49	31-Oct-17	750,000	2
Unlisted options	$0.56	31-Oct-17	750,000	2
Unlisted options	$0.64	31-Oct-17	750,000	2
Unlisted options	$0.40	1-Mar-18	125,000	1
Unlisted options	$0.50	1-Mar-18	125,000	1
Unlisted options	$0.60	1-Mar-18	125,000	1
Unlisted options	$0.70	1-Mar-18	125,000	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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