Talisman Mining Limited

ABN 71 079 536 495

Financial report for the half-year ended

31 December 2017

Corporate Directory

Board of Directors

Mr Jeremy Kirkwood	Non-Executive Chairman
Mr Daniel Madden	Managing Director
Mr Alan Senior	Non-Executive Director
Mr Brian Dawes	Non-Executive Director
Ms Karen Gadsby	Non-Executive Director

Company Secretaries

Mr Shaun Vokes
Mr Alexander Neuling

Registered and Principal Office

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Subiaco, Western Australia 6008
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Website: www.talismanmining.com.au

Auditors

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Level 4, 130 Stirling Street
Perth, Western Australia 6000
Tel: +61 8 9227 7500

Share Registry

Link Market Services
Level 4, 152 St George Terrace
Perth, WA 6000
Tel: 1300 554 474

Securities Exchange Listing

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000
ASX code: TLM

Contents

Page

Review of Operations 4
Competent Person's Statement........ 9
Directors' Report........ 10
Auditor's Independence Declaration........ 11
Condensed Consolidated Statement of Comprehensive Income 12
Condensed Consolidated Statement of Financial Position 13
Condensed Consolidated Statement of Changes in Equity 14
Condensed Consolidated Statement of Cash Flows........ 15
Notes to the Condensed Consolidated Financial Statements........ 16
Directors' Declaration 25
Independent Auditor's Review Report........ 26

Review of Operations

Doolgunna Copper-Gold Project (Joint Venture with Sandfire Resources NL)

Joint Venture

The Company and Sandfire formed a 30%:70% Joint Venture (with Sandfire acting as Joint Venture Manager) over the Company's Doolgunna Projects in December 2015, following Sandfire's sole funded expenditure of $15 million on the Doolgunna Projects. A Mining Joint Venture Agreement (**MJVA**) and an Exploration Joint Venture Agreement (**EJVA**) have also been executed between Talisman and Sandfire for the Joint Venture (collectively Joint Venture Agreements). The EJVA covers the ongoing exploration activities of the Springfield Joint Venture on the Joint Venture tenements and outlines the rights and obligations of the Joint Venture parties. The MJVA establishes the rights and obligations of the Joint Venture parties related to activities associated with the development, mining and ultimate decommissioning of mineral discoveries. The development and mining of the Monty Copper-Gold Project (**Monty**) will operate under the terms of this MJVA.

Joint Venture expenditure is now funded jointly by the Group and Sandfire on a 30%:70% basis in accordance with the Joint Venture Agreements. Talisman contributed $8.1 million to the Joint Venture during the half year ending December 2017 for its share of both ongoing exploration and Monty development expenditure.

Monty Development

On 4 July 2017, the Western Australian Department of Mines, Industry Regulation and Safety (**DMIRS**) (formerly Department of Mines and Petroleum) advised the Joint Venture that it had approved the Mining Proposal and Mine Closure Plan for Monty facilitating the commencement of on-ground earthworks.

Site works have continued steadily throughout the half year with most of the bulk earthworks and civil works (including the boxcut, haul road, water pipeline and central facilities) completed by the end of the half year (Figure 1). Additionally, underground mine development has progressed well with both the portal (Figure 2) and the ventilation shaft completed, and the decline advancing to 346 metres at 31 December 2017.

Figure 1: Monty Project: surface infrastructure layout and progress, December 2017

Figure 2: Monty Project: completed mine portal, December 2017

Monty Financing

During the half year Talisman secured a project finance facility (**PFF**) with Taurus Mining Finance Fund for US$20 million to fund 100% of Talisman's share of Monty pre-production capital.

The first funding notice under the PFF provided for a drawdown of US$8 million to cover Talisman's share of development expenditure from 1 July 2017 to 31 December 2017. These funds were received by Talisman in November 2017. A second drawdown of US$3.5M for the period 1 January to 31 March 2018 was submitted and received in January 2018.

Exploration Activities

Work at Springfield during the half year ended 31 December 2017 focused on testing newly interpreted target horizons at Monty NE, Monty East, Homer South and geochemical anomalies identified within the Southern Volcanics trend. Drilling however was delayed due to diamond drill rig availability and air-core drill rig scheduling. As a result, the majority of diamond and air-core drilling scheduled to be completed by December 2017 have been carried forward into the first quarter of 2018.

RC drilling activities completed during the half-year comprised six exploration holes (TLRC0069, TLRC0070, TLRC0071, TLRC0072, TLRC0073 and TLRC0074) (Figure 3), and four RC pre-collars (TLDD0116, TLDD0117A, TLDD0118 and TLDD0119) (Figure 4) for the proposed deeper diamond drill holes at Monty NE and along the Monty trend.

Diamond drilling activities completed during the half-year included TLDD0118 at one of the interpreted targets. TLDD0118 was drilled to a depth of 814 metres and intersected sedimentary rock sequences that were interpreted to represent the Monty host sequence, however Talisman was advised by the Joint Venture Manager that no visible mineralisation was logged. Additionally, Talisman was also advised by the Joint Venture Manager that a subsequent DHEM survey of the drill hole did not identify any anomalous responses.

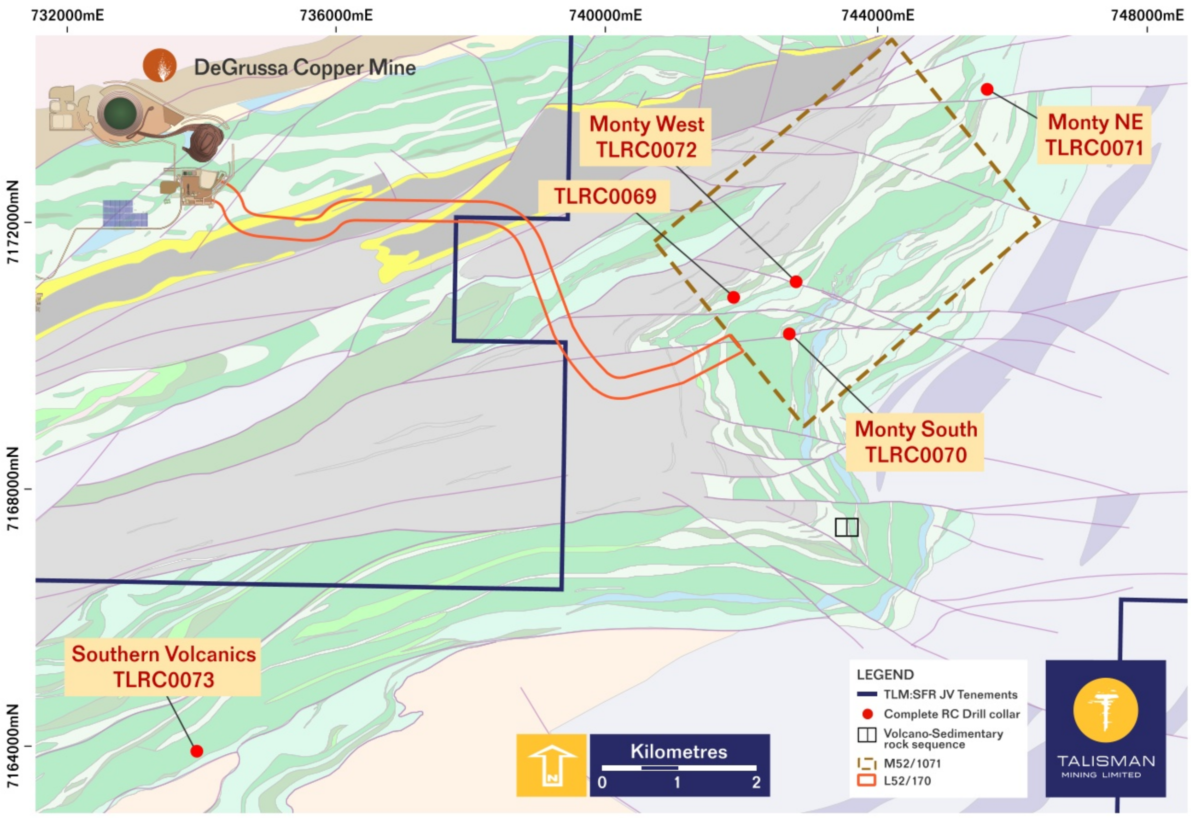

Figure 3: Springfield exploration RC drill collar location plan for the period ending 30 December 2017.

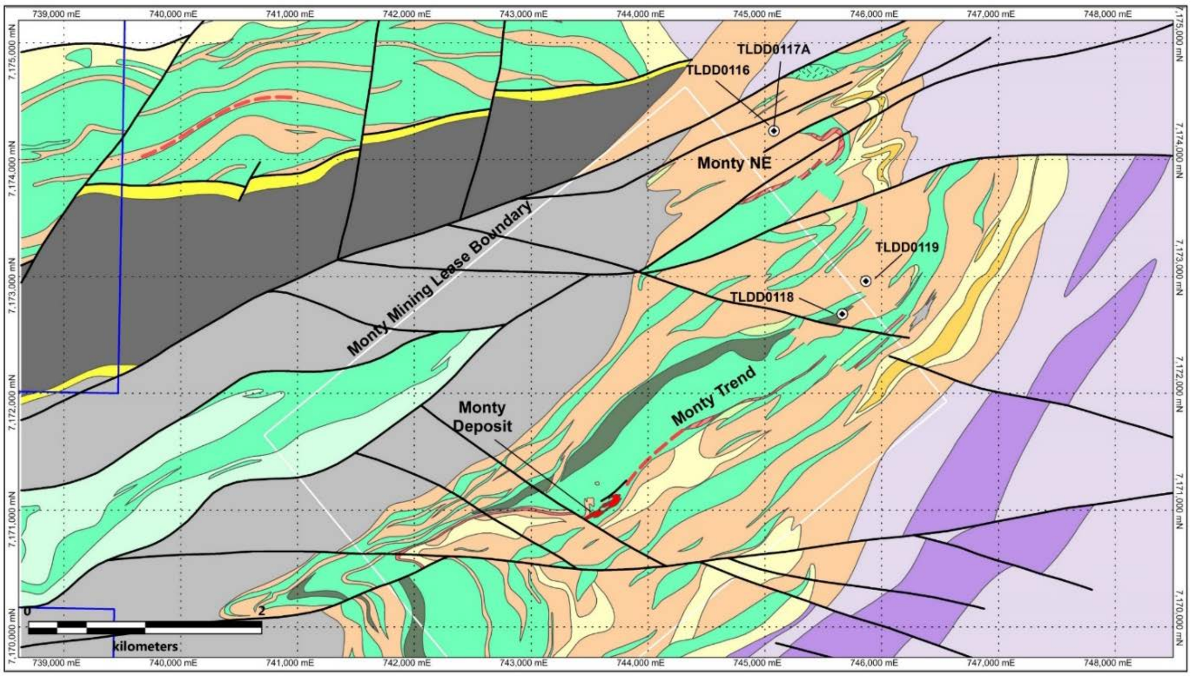

Figure 4: Springfield – Monty Region RC pre-collar location plan for the period ending 31 December 2017.

Sinclair Nickel Project (TLM 100%)

Talisman continued to advance the Sinclair Nickel Project ("Sinclair") throughout the half year ended 31 December 2017, through cost effective staged exploration focused on priority target areas. Aircore drilling was completed at the Delphi, Mt Clifford, Schmitz Well South and Sturt Meadows prospects. This work was aimed at providing geological and geochemical information in areas with little to no historic exploration.

A total of 117 holes for 7,071 metres were completed across the four prospect areas. The interpreted ultramafic sequence was intersected in all of the drilling, however no significant assays were returned with the exception of the Schmitz Well South prospect.

At Schmitz Well South, moderate to high magnesian ultramafic rocks were successfully intersected in all six drill traverses completed, confirming the continuity of the fertile Sinclair ultramafic trend.

Oxide material after disseminated and stringer nickel sulphides was logged within the ultramafic rock sequence in two holes to the north along strike from previously intersected cloud sulphides. Anomalous results intersected in hole SNAC0096 included very high copper values and elevated platinum & palladium values (which are indicative of komatiite hosted, magmatic nickel sulphide mineralisation). Assays returned with nickel intercepts included:

- SNAC0083[1]: 1m @ 0.68% Ni from 27m.
- SNAC0096[1]: 5m @ 0.50% Ni from 50m; and
  4m @ 1.30% Ni from 57m.

A short RC drilling campaign of four holes (SNRC027, SNRC028, SNRC029 and SNRC030) for 880 metres, was completed at Schmitz Well South to follow up the successful aircore drilling campaign. Whilst the holes intersected a thick sequence of high-magnesian ultramafic rocks including localised visible disseminated sulphide mineralisation that Talisman interprets to represent a fertile sequence with the potential to host nickel sulphide mineralisation, no significant results were returned.

One RC drill hole (SNRC0031) for 243 metres was completed at the Delphi North prospect to help further understand the interpreted massive and disseminated nickel sulphide mineralisation in the vicinity of high conductance electromagnetic (EM) conductors identified from previous drilling. The hole intersected the lower edge of previously modelled EM conductors and encountered massive and disseminated nickel sulphide mineralisation on the basal contact. Assays returned:

- SNRC031[2]: 2m @ 1.95% Ni from 198m down-hole
  including: 1m @ 2.97% Ni from 199m down-hole.

Lachlan Copper Gold Project

Talisman continued to evaluate and review potential new project opportunities that are complementary to existing projects and skill sets. As part of these activities, Talisman secured a considerable land package through pegging of new tenements, joint ventures and purchase agreements in the Cobar/ Mineral Hill region of NSW. This region is a richly mineralised district that hosts a number of base and precious metal mines including the CSA mine, Tritton, and Hera/Nymagee. The region contains highly prospective geology that has produced many long-life, high-grade mineral discoveries.

The Lachlan Copper-Gold Project comprises a total of 16 tenements covering an area of 2,808km^2 in the Cambelego-Mineral Rift Sequence, which is highly prospective for sulphide-rich deposits associated with major structures ("Cobar-style"); Volcanic Associated Massive Sulphide ("VAMS") base metal deposits; and high and intermediate sulphidation epithermal gold deposits (Figure 5).

[1] Refer to TLM ASX announcement "Sinclair Exploration Update" dated 23 August 2017, for full details including JORC tables.
[2] Refer to TLM ASX announcement "Sinclair Exploration Update" dated 16 November 2017, for full details including JORC tables.

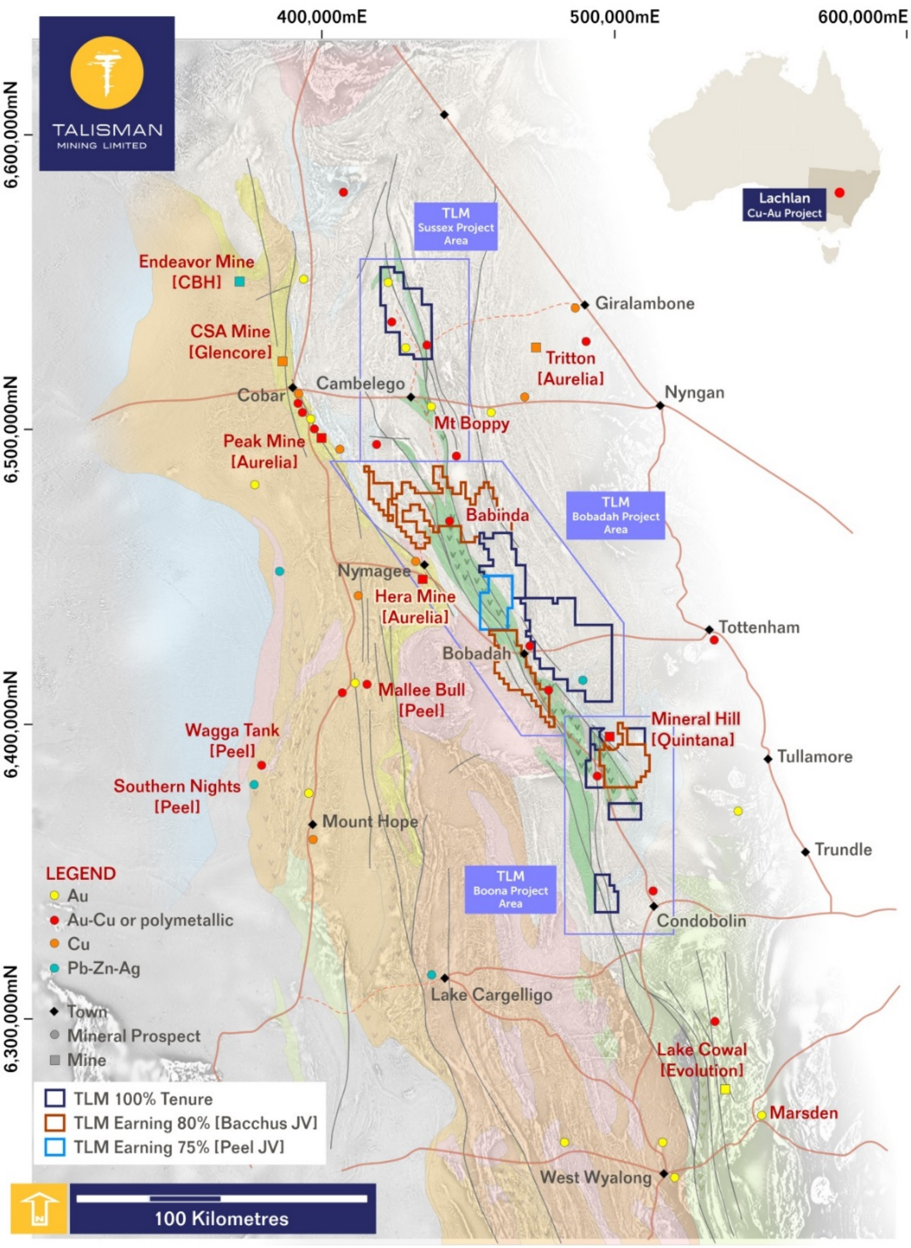

Figure 5: Lachlan Copper-Gold Project tenure and simplified Geology.

Talisman completed a review of the historical exploration undertaken within the tenements and identified a number of areas that show evidence of base and precious metals endowment. These areas have had very little modern exploration completed to date and it is considered that there is significant potential for the discovery of substantial base metals and gold mineralisation.

Future Developments

Doolgunna Projects Joint Venture

Work associated with Monty development will continue throughout 2018 and currently remains on schedule for first ore production in the fourth quarter of the 2018 calendar year.

Further on-ground exploration activities will focus initially on completing the diamond drilling of the Monty NE and Monty East target areas. In addition to this work, aircore drilling is planned for the Homer and Southern Volcanic trends. In keeping with the systematic exploration approach adopted by the Joint

Venture, once this work is complete, all data will be assessed prior to the planning of additional exploration drilling.

Sinclair Nickel Project

Talisman will continue to evaluate the potential of the Delphi North prospect to host economic nickel sulphide mineralisation and to develop exploration programs across the wider Sinclair Nickel Project as part of its staged, cost effective exploration strategy. In addition, the Company continued an ongoing process to review and evaluate options for the commercialisation of the Sinclair Nickel Project.

Lachlan Copper-Gold Project

Talisman will continue with landholder negotiations and securing the required regulatory approvals prior to the commencement of on-ground drilling activities to test a number of compelling drill-ready targets located on its Lachlan Fold Belt tenure.

The Company intends to complete detailed surface geophysical surveys over the structures known to host gold and copper mineralisation in the region, as well as a first-pass systematic shallow auger geochemical sampling program to clarify and better define the anomalies identified in the historical sampling. This work is scheduled for the first quarter of the 2018 calendar year.

Monty Mineral Resource – as at 31 December 2017[3]

Type	Mineral Resource Category	Tonnes	Copper (%)	Contained Copper (t)	Gold (g/t)	Contained Gold (oz)
Massive Sulphide	Indicated	754,000	12.0	91,000	2.1	51,000
	Inferred	9,000	20.7	2,000	2.7	1,000
	Total	763,000	12.1	92,000	2.1	52,000
Halo	Indicated	287,000	2.2	6,000	0.3	3,000
	Inferred	-	-	-	-	-
	Total	287,000	2.2	6,000	0.3	3,000
Total	Indicated	1,041,000	9.3	97,000	1.6	54,000
	Inferred	9,000	20.7	2,000	2.7	1,000
	Total	**1,050,000**	**9.4**	**99,000**	**1.6**	**55,000**

Note: *Mineral Resource is based on a 1.0% Cu cut-off grade*

Calculations have been rounded to the nearest 1,000t, 0.1% Cu grade and 1,000t Cu metal, 0.1g/t Au grade and 1,000oz Au metal. Differences may occur due to rounding.

The above table is reported as of 31 March 2016. The Company's half year end was 31 December 2017. Talisman is not aware of any material changes between those dates likely to affect the above table.

Competent Person's Statement

Information in this half year financial report that relates to Exploration Results and Exploration Targets is based on information completed by Mr Anthony Greenaway, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Greenaway 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 Greenaway consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

No new information that is considered material is included in this report. All information relating to exploration results has been previously released to the market and is appropriately referenced in this report. JORC tables are not considered necessary to accompany this report.

[3] Refer to TLM ASX announcement "Maiden JORC Mineral resource for High-Grade Monty Deposit" dated 13 April 2016, for full details including JORC tables

Directors' Report

The Directors of Talisman Mining Limited (the Company) submit the financial report of the consolidated entity (referred to hereafter as the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mr Jeremy Kirkwood	Non-Executive Chairman
Mr Daniel Madden	Managing Director
Mr Alan Senior	Non-Executive Director
Mr Brian Dawes	Non-Executive Director
Ms Karen Gadsby	Non-Executive Director

Principal Activities

The principal activity of the Company during the course of the financial half-year was exploration for, and development of, base and precious metals, including copper, copper-gold, gold and nickel.

Financial Performance and Financial Position

During the half-year the Group reported a loss after tax of $3.608 million (half-year to 31 December 2016: loss after tax $4.904 million).

As at 31 December 2017 the Group had net assets of $18.291 million (30 June 2017: $21.615 million) including $12.145 million of cash and cash equivalents (30 June 2017: $11.595 million). Cash and cash equivalents held by the Group as at 31 December 2017, included restricted cash of $6.401 million (30 June 2017: $0.587 million) of which $2.401 million is associated with exploration and mining activities on the Doolgunna Copper-Gold Project Joint Venture and $4 million is maintained in an Equity Reserve Account as part of the Monty project finance facility.

Rounding Off of Amounts

The Company has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly certain amounts included in this half-year report have been rounded off to the nearest $1,000 (where rounding is applicable), The Company is an entity to which the legislative instrument applies.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on the following page and forms part of this Directors' Report for the half-year ended 31 December 2017.

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

………………………………………………..

Daniel Madden
Managing Director
14 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Talisman Mining Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

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Perth, Western Australia
14 March 2018

L Di Giallonardo
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd (WA Partnership) is a member of HLB International, a world-wide organisation of accounting firms and business advisers

Condensed Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2017

	Note	31 Dec 17 $ `000	31 Dec 16 $ `000
Continuing operations			
Other income		114	230
Employee benefits expense	2	(839)	(930)
Exploration expenditure expensed as incurred	5	(1,797)	(3,114)
Care and maintenance expense		(269)	(388)
Occupancy expenses	2	(57)	(62)
Finance costs	7	(160)	-
Administrative expenses		(437)	(487)
Unwinding of discount on provisions		(126)	(124)
Depreciation and amortisation expense		(37)	(29)
Loss before income tax expense		**(3,608)**	**(4,904)**
Income tax benefit		-	-
Loss after tax from continuing operations		**(3,608)**	**(4,904)**
Net loss for the period		**(3,608)**	**(4,904)**
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive loss for the period		**(3,608)**	**(4,904)**
Loss per share:			
Basic loss per share (cents per share)		(1.94)	(2.64)
Diluted loss per share (cents per share)		n/a	n/a

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31 Dec 17 $ `000	30 Jun 17 $ `000
Assets			
Current Assets			
Cash and cash equivalents		12,145	11,595
Trade and other receivables		385	222
Total Current Assets		12,530	11,817
Non-Current Assets			
Receivables		58	58
Other financial assets	9	121	121
Property, plant and equipment		2,729	2,755
Asset under construction	3	5,449	150
Intangible assets		33	41
Mine properties and development	6	5,084	2,098
Deferred exploration and evaluation expenditure	4	14,000	14,000
Total Non-Current Assets		27,474	19,223
Total Assets		**40,004**	**31,040**
Liabilities			
Current Liabilities			
Trade and other payables		2,128	845
Employee benefits		206	44
Total Current Liabilities		2,334	889
Non-Current Liabilities			
Provisions		9,839	8,536
Borrowings	7	9,540	-
Total Non-Current Liabilities		19,379	8,536
Total Liabilities		**21,713**	**9,425**
Net Assets		**18,291**	**21,615**
Equity			
Issued capital	8	60,882	60,882
Reserves		1,460	1,307
Accumulated losses		(44,051)	(40,574)
Total Equity		**18,291**	**21,615**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2017

	Issued Capital $ `000	Accumulated Losses $ `000	Asset Revaluation Reserve $ `000	Share-based Payments Reserve $ `000	Total Equity $ `000
Balance at 1 July 2016	**60,882**	**(32,026)**	**14**	**395**	**29,265**
Loss for the period	-	(4,904)	-	-	(4,904)
Total comprehensive income/(loss) for the period	**-**	**(4,904)**	**-**	**-**	**(4,904)**
Recognition of share-based payments	-	-	-	539	539
Unlisted options lapsing	-	116	-	(116)	-
Balance at 31 December 2016	**60,882**	**(36,814)**	**14**	**818**	**24,900**
Balance at 1 July 2017	**60,882**	**(40,574)**	**14**	**1,293**	**21,615**
Loss for the period	-	(3,608)	-	-	(3,608)
Total comprehensive income/(loss) for the period	**-**	**(3,608)**	**-**	**-**	**(3,608)**
Recognition of share-based payments	-	-	-	284	284
Unlisted options lapsed	-	131	-	(131)	-
Balance at 31 December 2017	**60,882**	**(44,051)**	**14**	**1,446**	**18,291**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2017

	31 Dec 17 $ `000	31 Dec 16 $ `000
	inflows/(outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(1,859)	(1,634)
Payments for exploration and evaluation	(1,953)	(2,779)
Interest received	59	285
Net cash used in operating activities	(3,753)	(4,128)
Cash flows from investing activities		
Payments for mine properties and development	(3,650)	(24)
Payments for property, plant and equipment	(1,575)	(630)
Net cash used in investing activities	(5,225)	(654)
Cash flows from financing activities		
Proceeds from borrowings	10,187	-
Transaction costs relating to borrowings	(659)	-
Net cash provided by financing activities	9,528	-
Net increase /(decrease) in cash held	550	(4,782)
Cash and cash equivalents at the beginning of the period	11,595	20,244
Cash and cash equivalents at the end of the period	**12,145**	**15,462**

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Legislative Instrument 2016/91. The Company is an entity to which the class order applies.

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

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. Those which may have a significant impact on the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2014)

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 *Financial Instruments: Recognition and Measurement* and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment. The Group has assessed these changes and determined that based on the current financial assets and liabilities held at reporting date, the Group will need to reconsider its accounting policies surrounding impairment recognition. The new impairment requirements for financial assets are based on a forward looking 'expected loss model' (rather than the current 'incurred loss model').

The Group does not expect a significant effect on the financial statements resulting from the change of this standard however the Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. It replaces existing revenue recognition guidance, AASB 111 *Construction Contracts,* AASB 118 *Revenue* and AASB 1004 *Contributions.* AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

Whilst the new revenue standard would not have a material impact on existing revenue streams, the Group has commenced the process of evaluating the potential impact of the new standard on future revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

AASB 16 Leases

AASB 16 replaces the current AASB 117 *Leases* standard. AASB 16 removes the classification of leases as either operating leases or finance leases, for the lessee, effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15.

This standard will primarily affect the accounting for the Group's operating lease. As at 31 December 2017, the Group has $246,979 of non-cancellable operating lease commitments, predominantly relating to a property lease. The Group is considering the available options to account for this transition but the Group expects a change in reported earnings before interest, tax, depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. This will be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2017.

Statement of compliance

The interim financial statements were authorised for issue on 14 March 2018.

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

Going concern

The interim financial statements have has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

The Directors are confident of accessing funds necessary to meet the Group's obligations as and when they fall due, and consider the adoption of the going concern basis to be appropriate in the preparation of these interim financial statements.

2. EXPENSES

	31 Dec 17 $ `000	31 Dec 16 $ `000
Loss for the year includes the following expenses:		
Operating lease rental expense	57	62
Other employee benefits	555	391
Non-cash share based payment expenses	284	539

3. ASSET UNDER CONSTRUCTION

Asset under construction expenditure relates to project infrastructure for the Monty Cu-Au Project; being surface infrastructure and related surface and underground plant and equipment.

	31 Dec 17 $ `000	30-Jun-17 $ `000
Balance at the beginning of the period	150	-
Additions	5,299	150
	5,449	150

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 17 $ `000	30-Jun-17 $ `000
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	14,000	14,545
Transferred to mine development	-	(545)
	14,000	14,000

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

5. EXPLORATION EXPENDITURE EXPENSED AS INCURRED

	Life to date project expenditure expensed	Project Expenditure expensed in the period	Life to date project expenditure expensed	Project Expenditure expensed in the period
	31 Dec 17		31 Dec 16	
	$ `000	$ `000	$ `000	$ `000
Sinclair	5,325	1,150	5,748	1,972
Springfield	27,076	454	25,677	1,142
Halloween West JV	587	-	591	-
Other Exploration Expenses	283	193	4	-
	33,271	1,797	32,020	3,114

6. MINE PROPERTIES AND DEVELOPMENT

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write-off of the cost proportional to the depletion of the proven and probable mineral reserves.

Before the reclassification of Monty capitalised expenditure from exploration and evaluation expenditure to development expenditure, the Company assessed the future economic benefits to be received from Monty using the principles in AASB 136 *Impairment of Assets*.

The recoverable amount estimation was based on the estimated value in use and was determined at the cash-generating unit level. The cash generating unit consists of the operating assets associated with the Monty project in Australia, which comprises mine properties and development ($5.084 million) and assets under construction ($5.449 million).

The recoverable amount of Monty has been determined based on the value in use calculation using cash flow projections based on the financial budgets approved by senior management covering a 4-year period. The discount rate applied to cash flow projections is 8.0% real.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at each project site which includes any costs to dismantle and remove certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

	31 Dec 17 **$ `000**	**30 Jun 17** **$ `000**
Balance at the beginning of period	2,098	-
Transfer from exploration and evaluation expenditure	-	545
Additions	1,811	1,553
Provision for restoration and rehabilitation capitalised	1,175	-
Balance at the end of period	5,084	2,098

7. BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Summary of borrowing arrangements

On 27 October 2017, the Group entered into a secured Project Financing Facility (PFF) with Taurus Mining Finance Fund (Taurus) for US$20M. The PFF is guaranteed by the parent company and secured by the Group's interest in the Monty project and is subject to a fixed interest rate of 6.75% p.a. The PFF matures on 30 September 2020. The PFF also includes a royalty of 2.25% on the Groups gross payable copper and gold metal-in-ore sales receipts from Monty. The obligation to pay the royalty ceases once the Group has received revenue from Monty sales containing 29,700 tonnes of copper and 16,500 ounces of gold which is equivalent to the Groups 30% share of contained copper and gold metal in the current Monty Mineral Resource.

Under the terms of the PFF, the Group is subject to certain financing covenants including debt coverage ratios and distribution restrictions. There have been no events of review of default under the PFF during the half-year.

In United States Dollars	31 Dec 17 US $ `000	30 Jun 17 US $ `000
Total Facility		
Bank Loan	20,000	-
	20,000	-
Facility used at balance date		
Bank Loan	8,000	-
	8,000	-
Facility unused at balance date		
Bank loans	12,000	-
	12,000	-
Total facilities		
Facilities used at balance date	8,000	-
Facility unused at balance date	12,000	-

Movement during the period	31 Dec 17 $ `000	30 Jun 17 $ `000
Borrowings balance at the beginning of period	-	-
Drawdown of loan facility	10,298	-
Less		
Transaction costs	758	-
Borrowings balance at the end of period	9,540	-

Finance costs	31 Dec 17 $ `000	30 Jun 17 $ `000
Interest expense	92	-
Commitment fee	68	-
Total Finance costs	160	-

8. ISSUED CAPITAL

	31 Dec 17 $	30 Jun 17 $
Ordinary shares		
Issued and fully paid	60,881,617	60,881,617

	31 Dec 17		30 Jun 17	
	Number	$	Number	$
Movements in ordinary shares on issue				
Opening Balance	185,699,879	60,881,617	185,699,879	60,881,617
Closing Balance	185,699,879	60,881,617	185,699,879	60,881,617

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

	Half-year ended 31 Dec 17		Year ended 30 Jun 17	
	Number	$	Number	$
Movements in options over ordinary shares on issue				
Opening Balance	9,705,000	1,292,836	5,650,000	395,389
Director's and employees remuneration	-	287,865	8,775,000	1,252,411
Unlisted options lapsing	(1,250,000)	(130,875)	(2,750,000)	(116,445)
Unlisted options cancelled	-	-	(1,150,000)	(146,185)
Unlisted options forfeited	(30,000)	(3,692)	(820,000)	(92,334)
Closing Balance	8,425,000	1,446,134	9,705,000	1,292,836

Share options are exercisable on a 1:1 basis at various exercise prices. The options expire between 31 March 2018 and 31 October 2021.

9. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and liabilities.

Fair values

The carrying value of financial assets and financial liabilities are considered to approximate their fair values. In particular, the fair value of cash, trade and other receivables and payments is considered to approximate their carrying amount due to their short-term maturity.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within 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 31 December 2017 and 30 June 2017.

	Level 1 $ `000	Level 2 $ `000	Level 3 $ `000	Total $ `000
31 December 2017				
Assets				
Available-for-sale financial assets	121	-	-	121
30 June 2017				
Assets				
Available-for-sale financial assets	121	-	-	121

10. SEGMENT REPORTING

Segment Information

Talisman management has determined the operating segments based on the reports reviewed by the Board for strategic decision making. The Group operates in one geographical segment, being Australia and has identified the following operating segments: Monty Operation and Regional Exploration.

The Monty Operation represents the Group's 30% joint venture interest in the Monty Copper-Gold Project (**Monty**). Sandfire Resources NL (**Sandfire**) is the manager of Monty and holds the remaining 70% interest. Work programs and budgets are provided by Sandfire and are considered for approval by the Company's Board.

The Group's General Manager Geology is responsible for budgets and expenditures relating to the Group's Regional Exploration activities. Regional Exploration activities do not normally derive any income. Should a project generated by Regional Exploration activities commence generating income or lead to the development of a mining operation, that operation would then be disaggregated from Regional Exploration and become reportable in a different segment.

Segment Results

	Continuing Operations			
	Monty Operation $ `000	Regional Exploration Activities $ `000	Unallocated items $ `000	Consolidated $ `000
31 December 2017				
Segment revenue	13	-	101	114
Segment profit before income tax expense	13	(1,797)	(1,824)	(3,608)
Segment assets	14,740	16,756	8,507	40,004
Segment liabilities	(12,284)	(8,844)	(585)	(21,713)
31 December 2016				
Segment revenue	-	-	230	230
Segment profit before income tax expense	-	(3,114)	(1,790)	(4,904)
Segment assets	-	18,334	15,655	33,989
Segment liabilities	-	(8,761)	(328)	(9,089)

11. JOINT OPERATION

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 the relevant standards and interpretations applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

The Company and Sandfire formed a 30%:70% Joint Venture (with Sandfire acting as Joint Venture Manager) over the Company's Doolgunna Projects in December 2015, following Sandfire's sole funded expenditure of $15 million on the Doolgunna Projects. A Mining Joint Venture Agreement (MJVA) and an Exploration Joint Venture Agreement (EJVA) have also been executed between Talisman and Sandfire for the Joint Venture (collectively Joint Venture Agreements). The EJVA covers the ongoing exploration activities of the Springfield Joint Venture on the Joint Venture tenements and outlines the rights and obligations of the Joint Venture parties. The MJVA establishes the rights and obligations of the Joint Venture parties related to activities associated with the development, mining and ultimate decommissioning of mineral discoveries. The development and mining of Monty will operate under the terms of this MJVA.

Joint venture expenditure is now funded jointly by the Group and Sandfire on a 30%:70% basis in accordance with the Joint Venture Agreements. Following the delineation of the Monty maiden JORC 2012 Indicated and Inferred Mineral Resource of 1.05 million tonnes grading 9.4% copper and 1.6g/t gold[1] in April 2016, the Joint Venture commenced a feasibility study on an underground mining operation to extract high-grade ore via conventional stoping techniques. A Mining Lease Application (MLA) for Monty was submitted in July 2016 and was granted on 30 March 2017. The detailed Monty feasibility study concluded development of the deposit is both technically and financially viable. Full details of the feasibility study and its key agreements can be found in the announcement and presentation released to the Australian Securities Exchange on 6 April 2017.

As a result of the Joint Venture Agreements, the Group's interest in the Halloween West Joint Venture was reduced to 18.8% (2015: 62.9%). The Halloween West Joint Venture was originally formed in 2012 when the Company reached agreement with Chrysalis Resources Ltd ("Chrysalis") to farm into the Halloween West Copper-Gold Project. In October 2014 Sandfire acquired the interest held by Chrysalis and subsequently farmed-into the Halloween West Project concurred with the Doolgunna Projects. Sandfire acts as the Joint Venture Manager of the Halloween West Joint Venture.

The Group is entitled to a proportionate share of the income received and bears a proportionate share of the joint operation's expenses.

Joint Operation	Operator	31 Dec 17 Beneficial Interest	30 Jun 17 Beneficial Interest
Doolgunna	Sandfire Resources	30%	30%
Halloween West	Sandfire Resources	19%	19%

The Group's interests in the assets/liabilities and income/expenditure employed in the above Joint Venture operations are detailed below. The amounts are included in the financial statements under their respective asset categories.

	31 Dec 17 $'000	30 Jun 17 $'000
Statement of Financial Position		
Assets		
Current assets	8,360	2,315
Non-current assets	34,909	7,293
Total assets	43,269	9,608
Liabilities		
Current liabilities	5,496	1,761
Non-current liabilities	3,917	-
Total liabilities	9,413	1,761
Net assets	33,856	7,847

	Half-year ended 31 Dec 17 $'000	Half-year ended 31 Dec 16 $'000
Statement of Comprehensive Income		
Revenue	50	-
Exploration and evaluation	1,110	909
Total comprehensive loss	1,060	909

Reconciliation of summarised financial information to the carrying amount of the interest in associate

	31 Dec 17 $'000	30 Jun 17 $'000
Net assets of the associate	33,856	7,847
Carrying value of the Group's interest in associate	10,157	2,354

[1] For details relating to the Monty JORC Mineral Resource see Sandfire Resources NL ASX announcement dated 13 April 2016, available on the Sandfire and ASX websites.

The Joint Venture has no contingent liabilities with the exception that in order to maintain the current right 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 and the capital commitments required for Monty project construction. These obligations are not provided for in the financial report and are payable as follows:

	31 Dec 17 $`000	30 Jun 17 $`000
Exploration expenditure		
Within one year	588	588
After one year but not more than five years	1,194	1,407
Greater than five years	2,504	2,587
	4,286	4,582

	31 Dec 17 $`000	30 Jun 17 $`000
Capital Commitment		
Within one year	11,184	-
After one year but not more than five years	-	-
Greater than five years	-	-
	11,184	-

12. CONTINGENT LIABILITIES

Consideration for the acquisition of the Sinclair Nickel Project includes a deferred payment of $2 million triggered by production recommencing within 6 years of transaction completion, being the 3 February 2021.

In the opinion of the Directors, there are no other contingent liabilities or assets as at 31 December 2017 and no other contingent liabilities or assets were incurred in the interval between the period end and the date of this report.

13. EVENTS SUBSEQUENT TO REPORTING DATE

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

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year then ended; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

……………………………………….
Daniel Madden
Managing Director
14 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Talisman Mining Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying financial report of Talisman Mining Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company,

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
14 March 2018