TALISMAN MINING LIMITED

ABN 71 079 536 495

Annual report for the financial year ended 30 June 2008

ORDNEXIA

CHARTERED ACCOUNTANTS

Annual financial report
for the financial year ended 30 June 2008

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Corporate Directory

Directors

Mr Alan Senior	Non-Executive Chairman
Mr Steven Elliott	Managing Director
Dr Michael (Mick) Bunyard	Non-Executive Director
Ms Karen Gadsby	Non-Executive Director

Solicitor

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH Western Australia 6000

Company Secretary

Darren Crawte

Share Registry

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WEST PERTH Western Australia 6005

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Stock Exchange

Australian Securities Exchange Limited
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2 The Esplanade
PERTH Western Australia 6000

ASX Code: TLM

TLMO

Auditors

HLB Mann Judd
15 Rheola Street
WEST PERTH Western Australia 6005

Corporate governance statement

Talisman Mining Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Goverance Council's *Principles of Good Corporate Governance and Best Practice Recommendations ("**ASX Principles and Recommendations**")*, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.talismanmining.com.au.

"If Not, Why Not" Disclosure

During the Company's 2007/2008 financial year ("**Reporting Period**") the Company has followed each of the Principals and Recommendations other than in relation to the matters specified below.

Principle 2

Recommendation 2.4: The Board should establish a Nomination Committee.

Notification of Departure: There was no separate Nomination Committee.

Explanation for Departure: The full Board considered those matters that would usually be the responsibility of a nomination committee. Given that the Board comprises only 4 directors, the Board considered that no efficiencies or other benefits would be gained by establishing a separate committee. The Board has adopted a Nomination Committee Charter which it applies, as relevant.

Principle 8

Recommendation 8.1: The Board should establish a Remuneration Committee.

Notification of Deperature: A separate remuneration committee was not formed.

Explanation for Departure: The Board considered that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. However, the Board has adopted a Remuneration Committee Charter, which it applied when convening as the remuneration committee. No directors participate in any deliberations regarding their own remuneration or related issues. However, the Board is adopting a new governance framework and has decided to form a separate remuneration committee, in accordance with the recommendation.

NOMINATION COMMITTEE

The full Board carries out the role of the nomination committee. The full Board did not officially convene as a nomination committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required.

AUDIT COMMITTEE

The Audit Committee held 2 meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at committee meetings:

Name	No. of meetings attended	No. eligible to attend
Karen Gadsby (independent Chair)	-	-
Alan Senior (independent)	2	2
Mick Bunyard (independent)	2	2

Details of each of the directors' qualifications are set out in the Directors' Report.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors and the Company's Materiality Thresholds

In considering the independence of directors, the Board refers to its *Policy on Assessing the Independence of Directors* (available on the Company's website).

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's *Board Charter* (available on the Company's website):

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are Alan Senior, Mick Bunyard and Karen Gadsby.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance evaluation of the Board and its members have taken place and how conducted

During the Reporting Period a formal evaluation of the performance of the Board, its committees and individual directors was not carried out. During the year the Board recognised that its composition needed to be strengthened and sought to make relevant changes. These changes have now been effected and a formal evaluation process will take place as part of the company's new corporate governance framework.

During the Reporting Period a performance evaluation for senior executives was not carried out.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Directors' report

The directors of Talisman Mining Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Mr Alan Senior (appointed 7 November 2007)	**Alan Senior** Asscshp Mech Eng, FIEAUST, CPEng, FAusIMM **Non-Executive Chairman** Alan has extensive experience at all stages of projects, from pre-feasibility through to commissioning and operation, for plants handling and/or processing iron ore, gold, copper, bauxite, uranium, and coal. Throughout his career Alan has worked for the iron ore industry. In the 1970's and early 80's he worked as a designer on major expansion projects for Mt Newman Mining (now BHPB) and Hamersley Iron (now CRA). Alan graduated from the West Australian Institute of Technology (Curtin University) with an Associateship in Mechanical Engineering in 1968. He is an engineer with over 35 years experience in design and project development, mainly associated with the mining and mineral processing industry in Australia Alan was a non-executive Director of Jubilee Mines NL up until its purchase by Xtrata. Before joining the board of Jubilee in 2003 he led the team which completed the feasibility study for the Cosmos Nickel project and its successful implementation, followed three years later by the transition from open cut to underground mining. Alan is also a non-executive Director of Tanami Gold NL. Alan is a Fellow of the Institution of Engineers Australia, a Fellow of the Australian Institute of Mining and Metallurgy, and a Chartered Professional Engineer.
Mr Steven Elliott	**Steven Elliott** BAppSci, MAusIMM **Managing Director** Steven has over twenty four years experience in mineral exploration throughout Australia and overseas. Steven graduated from the West Australian Institute of Technology (Curtin University) with a BSc in Geology in 1980. Steven commenced his career with Swan Resources Ltd exploring for diamonds and subsequently platinum throughout Australia. This was followed by an interval as a consulting and contract geologist to various mineral explorers. He was a founding Director of Helix Resources NL in 1985 and subsequently Director of Exploration for twelve years, leaving in 1997 to establish Talisman Mining Ltd. Steven has broad experience in conceptual geology, project generation and exploration for a variety of commodities in a broad spectrum of geological terranes. He was instrumental in the discovery of a new type of platinum mineralisation at Fifield in New South Wales and was responsible for the discovery of gold mineralisation at Glenburgh in the Gascoyne region in a geological environment previously considered to be largely unprospective. Mr Elliott has studied and visited various mineral deposits in Africa and North America. Steven is a member of the Australian Institute of Mining and Metallurgy.

Dr Michael (Mick) Bunyard
(appointed 31 July 2007)

Michael (Mick) Bunyard PhD, BSc., FAusIMM, MIOM[3,] CEng
Non-Executive Director

His plant operating and management experience was gained first on the Zambian Copperbelt and then in gold and uranium plants in South Africa. Mick moved into the project development field 20 years ago, first in South Africa and then Australia. He has worked as a consulting engineer for a number of major engineering companies since coming to Australia in 1988. He has participated in and managed all aspects of ore testing, process development, feasibility studies, plant design and commissioning for base metals, gold, uranium, iron ore and industrial minerals. The projects that Mick has worked on have been in Australia and in many different parts of the world.

Mick graduated from the University of Leeds in 1970 with a BSc in Minerals Processing followed by a PhD in 1973. He has 36 years experience in the minerals industry in research, operations management and project development.

Mick is a Fellow of the Australian Institute of Mining and Metallurgy, a Member of the Institute of Materials, Minerals and Mining, and a Chartered Engineer.

Ms Karen Gadsby
(appointed 3 April 2008)

Karen Gadsby B Comm, FCA, MAICD
Non-Executive Director

Karen Gadsby has 24 years experience in Finance, graduated from UWA with a Bachelor of Commerce in 1984 and qualified as a Chartered Accountant with Coopers and Lybrand (WA) in 1987.

Karen worked for North Ltd throughout Australia for 13 years in various executive roles including 6 years with Robe River Iron Associates in Perth. She has held the positions of General Manager Finance, CFO and Company Secretary.

She now resides in WA, has been involved with boards for over 12 years and now predominately works as a non-executive director. She is currently a director of the following boards; Adult Multicultural Education Services (Vic) and Perth Home Care Services (WA) and was previously a director of GMHBA (Vic) and Western Health (Vic). Karen has been the Chair of the Finance, Audit and Risk Management committees for these boards. She also consults and advises in the areas of business and finance strategy, change management and executive mentoring.

Karen is a Fellow of the Institute of Chartered Accountants and is a Member of the Australian Institute of Company Directors.

The above named directors held office during and since the end of the financial year except for:

- Alan Senior – appointed 7 November 2007
- Mick Bunyard – appointed 31 July 2007
- Karen Gadsby – appointed 3 April 2008
- Ian Macpherson – resigned 7 November 2007
- Michael Hannington – resigned 31 July 2007

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	Period of directorship
Alan Senior	Jubilee Mines NL	to 7 February 2008
	Tanami Gold NL	31 July 2007 to present
Steven Elliott	-	-
Mick Bunyard	-	-
Karen Gadsby	-	-

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures 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	-	4,000,000
Steven Elliott	7,200,002	1,666,668
Mick Bunyard	-	2,028,000
Karen Gadsby	-	2,000,000

Remuneration of directors and senior management

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

Share options granted to directors and senior management

During and since the end of the financial year an aggregate 8,850,000 share options were granted to the following directors and the five highest remunerated officers of the company as part of their remuneration:

Directors and senior management	Number of options granted	Issuing entity	Number of ordinary shares under option
Alan Senior	4,000,000	Talisman Mining Limited	4,000,000
Mick Bunyard (*)	2,050,000	Talisman Mining Limited	2,050,000
Karen Gadsby	2,000,000	Talisman Mining Limited	2,000,000
Harry Cornelius	800,000	Talisman Mining Limited	800,000

* 50,000 incentive options were granted to Stephanie Bunyard, the wife of Mick Bunyard, who is an employee of the Company.

Company secretary

Darren Crawte LL.B (Hons), ACA

Darren is a qualified Chartered Accountant with 9 years experience working within public practice, specifically within the area of audit and assurance both in Australia and the United Kingdom. He holds similar secretarial roles in various other listed public companies.

Principal activities

The principal activity of Talisman Mining Limited during the course of the financial year was the exploration for iron ore, gold and base metals.

Review of operations

During the year the company underwent a major change in commodity focus from gold and copper to iron ore. As a result, subsequent exploration activities for the year focused primarily on defining the iron ore potential of the Wonmunna project in the east Pilbara region, Western Australia.

Previous work had indicated that the Wonmunna project had significant potential for Marra Mamba Iron Formation – hosted hematite / goethite iron ores. A combination of mapping, interpretation of aeromagnetic data and reconnaissance drilling subsequently defined seven Marra Mamba targets.

Drilling on nominal 200m x 50m centres at the North Marra Mamba (NMM) target defined a JORC-compliant **Inferred Resource of 44Mt @ 55.9% iron (50% Fe lower cut), inclusive of 28Mt @ 57.4% iron (55% Fe lower cut).** (Quantitative Geoscience – Chris De Vitry)[1] This mineralisation envelope in turn contains substantial areas of >60% iron mineralisation.

Drilling at similar density has been completed at two additional targets, South Marra Mamba (SMM) and Central Marra Mamba (CMM), with initial resource determinations expected in November, 2008. These resources are expected to add significantly to the Wonmunna resource base.

Additional iron ore projects have been identified at Trillbar (Gascoyne region), Yamada (East Gacoyne region) and Wandanya (East Pilbara region). Significant manganese mineralisation to 65% manganese in outcrop at Wandanya has also indicated significant potential for this strategic metal. Evaluation works at all three projects are ongoing.

Whilst the Company is focused on defining and developing iron ores, principally at Wonmunna, work continues in developing the gold and base metal projects held by the Company elsewhere in Western Australia.

[1] Mr Chris De-Vitry is a member and registered practicing geologist of the Australian Institute of Geoscientists (AIG). Mr Chris De-Vitry has sufficient experience in iron ore to act as competent person for this estimate as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Chris De-Vitry consents to the inclusion in this report of NMN resource estimate.

Mr Steven Elliott is a member of the Australasian Institute of Mining and Metallurgy. Mr Steven Elliott is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Steven Elliott consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Changes in state of affairs

There was no significant change in the state of affairs of the company during the financial year.

Subsequent events

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

1. On 2 July 2008, the company announced that it had withdrawn from participation in the proposed Protal Metals Group Limited uranium-focused IPO in order for the company to focus on exploration and development of iron ore and manganese resources in Western Australia, with particular emphasis on the flagship Wonmunna Iron Ore project in the Pilbara region. The company retains the uranium assets and the concept of a uranium-focussed IPO may be revisted in the future, depending upon the company's activities and market conditions.

2. On 29 July 2008, the company announced that it has relinquished the Mount James and Bustler Well gold projects in order to continue with and further enhance the company's focus on iron ore, in particular the Wonmunna project.

3. On 28 August 2008, the company announced an Inferred Resource at the 100% owned NMM Wonmunna project.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the year ended 30 June 2008.

Share options

Shares under option or issued on exercise of options

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

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Talisman Mining Limited	24,827,257	Ordinary	$0.20	31 December 2010
Talisman Mining Limited	2,222,000	Ordinary	$0.25	31 December 2010
Talisman Mining Limited	1,400,000	Ordinary	$1.20	31 December 2010
Talisman Mining Limited	1,500,000	Ordinary	$1.00	30 November 2010
Talisman Mining Limited	1,500,000	Ordinary	$1.20	30 November 2010
Talisman Mining Limited	1,500,000	Ordinary	$1.60	30 November 2010
Talisman Mining Limited	1,500,000	Ordinary	$2.20	30 November 2010
Talisman Mining Limited	500,000	Ordinary	$1.00	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$1.20	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$1.60	31 May 2011
Talisman Mining Limited	500,000	Ordinary	$2.20	31 May 2011

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.

Details of shares or interests issued during or since the end of the financial year as a result of the exercise of options are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Talisman Mining Limited	805,382	Ordinary	$0.20	-
Talisman Mining Limited	4,978,000	Ordinary	$0.25	-

Indemnification of officers and auditors

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

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 6 board meetings and 2 audit committee meetings were held.

	Board of directors		Audit committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended
Alan Senior	4	4	2	2
Steven Elliott	6	6	-	-
Mick Bunyard	6	6	2	2
Karen Gadsby	2	2	-	-
Ian Macpherson	2	2	-	-
Michael Hannington	-	-	-	-

Non-audit services

There were no non-audit services provided by the auditor during the year.

Auditor's independence declaration

The auditor's independence declaration is included on page 13 of the annual report.

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Talisman Mining Limited's key management personnel for the financial year ended 30 June 2008. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited. The additional discosures required by the Corporations Act 2001 and the Corporations Regulations 2001 have not been audited .

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and company performance;
- remuneration of key management personnel; and
- key terms of employment contracts

Key management personnel details

The key management personnel of Talisman Minng Limited during the year or since the end of the year were:

- Alan Senior, Chairman, appointed 7 November 2007
- Steven Elliott , Managing Director
- Mick Bunyard, Non Executive Director, appointed 31 July 2007
- Karen Gadsby, Non Executive Director, appointed 3 April 2008
- Harry Cornelius, Exploration Manager
- Ian Macpherson, Non-Executive Director, resigned 7 November 2007
- Michael Hannington, Non-Executive Director, resigned 31 July 2007

Included in key management personnel above are the 5 highest remunerated executives of the Company.

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 Company, including those affecting executive directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting, motivating and retaining key management personnel.

The remuneration policy for executive directors and other key management personnel has two main components: fixed remuneration and long term incentive.

- Fixed remuneration

  Executive directors and other key management personnel receive fixed remuneration in the form of a base salary (inclusive of statutory superannuation).

- Long term incentive

  To align the interests of key management personnel with the long term objectives of the Company and its shareholders, the Company's policy, having regard to the stage of development of its assets, is to issue share options at the complete discretion of the Board. Vesting conditions relating to the performance of the company are not considered appropriate having regard to the stage of development of the Company's assets.

Non- executive directors

The Company's non-executive directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company'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 Company'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 Company.

A non-executive directors' fee pool limit of $300,000 per annum was approved by the shareholders at the General Meeting on 19 May 2008 and is currently utlised to a level of $163,500 per annum. The fee currently paid to the non executive Chairman is $76,300 per annum and $43,600 per annum for the non executive directors.

Remuneration of key management personnel

2008	Short-term employee benefits: Salary & fees $	Bonus $	Non-monetary $	Other $	Post-employment benefits: Super-annua-tion $	Other long-term employee benefits $	Share-based payment: Options $	Total $	% of compensation linked to performance $
Directors									
Alan Senior	42,518	-	-	-	3,827	-	468,975	515,320	91%
Steven Elliott	145,000	-	-	-	13,050	-	-	158,050	-
Mick Bunyard	29,250	-	-	-	2,633	-	238,655	270,538	88%
Karen Gadsby	9,450	-	-	-	850	-	99,874	110,174	91%
Ian Macpherson	13,800	-	-	-	-	-	-	13,800	-
Michael Hannington	-	-	-	-	-	-	-	-	-
Executives									
Harry Cornelius	137,500	-	-	-	12,375	-	57,532	207,407	28%

2007	Short-term employee benefits: Salary & fees $	Bonus $	Non-monetary $	Other $	Post-employment benefits: Super-annua-tion $	Other long-term employee benefits $	Share-based payment: Options $	Total $	% of compensation linked to performance $
Directors									
Ian Macpherson	40,000	-	-	3,888	-	-	110,112	154,000	72%
Steven Elliott	125,000	-	-	7,743	11,250	-	110,112	254,105	43%
Michael Hannington	25,000	-	-	3,888	2,250	-	82,585	113,723	73%

No director or executive appointed during the year received a payment as part of his or her consideration or agreeing to hold the position.

Share based payments granted as compensation for the current financial year.

Incentive share based payment arrangements

During the financial year the following share based payment arrangements for key management personnel were in existence:

Options series	Grant date	Expiry date	Fair value per option at grant date $	Vesting date
1) Issued 3 September 2007	11 May 2007	31 December 2010	0.08	Vests at date of grant
2) Issued 25 March 2008	19 May 2008	31 December 2010	0.32	Vests on 30 April 2009
3) Issued 21 May 2008	19 May 2008	30 November 2010	0.34	Vests at date of grant
4) Issued 21 May 2008	19 May 2008	30 November 2010	0.31	Vests on 30 November 2008
5) Issued 21 May 2008	19 May 2008	30 November 2010	0.27	Vests on 30 November 2009
6) Issued 21 May 2008	19 May 2008	30 November 2010	0.23	Vests 30 September 2010
7) Issued 21 May 2008	19 May 2008	31 May 2011	0.37	Vests 30 November 2008
8) Issued 21 May 2008	19 May 2008	31 May 2011	0.35	Vests 31 May 2009
9) Issued 21 May 2008	19 May 2008	31 May 2011	0.31	Vests 31 May 2010
10) Issued 21 May 2008	19 May 2008	31 May 2011	0.27	Vests 31 March 2011

There are no further service or performance criteria that need to be met in relation to options granted under series 1 to 10 before the beneficial interest vests in the recipient. Key management personnel receiving options under series 1 to 10 are only entitled to receive the beneficial interest under the option if they continue to be employed with the company at that time.

The following grants of share based payment compensation to key management personnel relate to the current financial year:

Name	Options series (as per previous table)	No. granted	During the financial year No. Vested and exercisable	% of grant vested	%of grant forfeited	% of compensation for the year consisting of options
Alan Senior	3, 4, 5, 6	4,000,000	1,000,000	25%	N/A	91%
Mick Bunyard	1, 3, 4, 5, 6	2,050,000	550,000	27%	N/A	88%
Karen Gadsby	7, 8, 9, 10	2,000,000	-	-	N/A	91%
Harry Cornelius	1, 2	800,000	800,000	100%	N/A	28%

The assessed fair value at grant date of options granted to the individuals in the above table is allocated equally over the period from grant date to 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 the risk free rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 are as follows:

Input	Series 1	Series 2	Series 3	Series 4	Series 5
Exercise Price	$0.25	$1.20	$1.00	$1.20	$1.60
Grant date	11 May 2007	19 May 2008	19 May 2008	19 May 2008	19 May 2008
Expiry date	31 December 2010	31 December 2010	30 November 2010	30 November 2010	30 November 2010
Share price at grant date	$0.17	$0.65	$0.65	$0.65	$0.65
Expected volatility	75%	100%	100%	100%	100%
Risk free rate	6.1%	6.71%	6.71%	6.71%	6.71%

Input	Series 6	Series 7	Series 8	Series 9	Series 10
Exercise Price	$2.20	$1.00	$1.20	$1.60	$2.20
Grant date	19 May 2008	19 May 2008	19 May 2008	19 May 2008	19 May 2008
Expiry date	30 November 2010	31 May 2011	31 May 2011	31 May 2011	31 May 2011
Share price at grant date	$0.65	$0.65	$0.65	$0.65	$0.65
Expected volatility	100%	100%	100%	100%	100%
Risk free rate	6.71%	6.71%	6.71%	6.71%	6.71%

During the year, the following key management personnel exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Talisman Mining Limited.

Name	No of options exercised	No .of shares issued	Amount paid $	Amount unpaid $
Mick Bunyard	22,000	22,000	$0.25	-
Harry Cornelius	56,000	56,000	$0.25	-

Value of options issued to directors and executives

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

	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date (ii) $	Value of options lapsed at the date of lapse $	Total $
Alan Senior	1,141,400	-	-	1,141,400
Mick Bunyard	574,867	(1,833)	-	573,034
Karen Gadsby	648,350	-	-	648,350
Harry Cornelius	136,832	(4,667)	-	132,165

(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) Both options granted in the current financial year and in previous financial years were exercised during the financial year.

Key terms of employment contracts

Steven Elliott:

Salary: $150,000 plus superannuation.

Duration: The employment contract is ongoing and is reviewed and extended annually.

Termination: Employment may be terminated by either the employee or the Company giving 4 weeks notice in writing. Alternatively, the employment may be terminated by the Company providing paid compensation instead of the required period of notice. In the event of serious misconduct the Company may terminate the employment without notice or compensation.

Harry Cornelius:

Salary: $145,000 plus superannuation.

Duration: The employment contract is ongoing and is reviewed and extended annually.

Termination: Employment may be terminated by either the employee or the Company giving 4 weeks notice in writing. Alternatively, the employment may be terminated by the Company providing paid compensation instead of the required period of notice. In the event of serious misconduct the Company may terminate the employment without notice or compensation.

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

Steven Elliott
Director
Perth, 24 September 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Talisman Mining Limited for the year ended 30 June 2008, 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.

This declaration is in respect of Talisman Mining Limited.

Perth, Western Australia	**L DI GIALLONARDO**
24 September 2008	**Partner, HLB Mann Judd**

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 balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2, the directors state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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. These Auditing 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

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 company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2008. 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 2008 complies with Section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
24 September 2008

L DI GIALLONARDO
Partner

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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 and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company; and

(c) 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

Director

Perth, 24 September 2008

Income statement
for the financial year ended 30 June 2008

	Note	2008 $	2007 $
Revenue	4	219,203	45,026
Share of profits of associates and jointly controlled entities accounted for using the equity method		(2,653)	-
Provision for impairment of investment in associate		(129,096)	-
Impairment of exploration expenditure		(243,838)	-
Employee benefit expenses		(1,063,946)	(514,277)
Finance costs	5	(5,395)	(1,209)
Depreciation		(31,269)	(18,403)
Consulting expenses		-	(99,222)
Occupancy expenses		(144,546)	(40,919)
Administration expenses		(512,384)	(130,307)
Loss before tax	6	(1,913,924)	(759,311)
Income tax benefit	7	146,754	-
Loss for the year		(1,767,170)	(759,311)
Loss per share			
Basic (cents per share)	19	0.02	1.84
Diluted (cents per share)	19	0.02	1.84

Notes to the financial statements are included on pages 22 to 39.

Balance sheet
as at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash and cash equivalents	22	7,388,898	667,310
Trade and other receivables	8	416,525	55,541
Total current assets		7,805,423	722,851
Non-current assets			
Investments accounted for using the equity method	9	-	1
Other financial assets	10	-	-
Property, plant and equipment	11	137,444	84,592
Exploration and evaluation expenditure	12	6,930,307	3,406,682
Total non-current assets		7,067,751	3,491,275
Total assets		14,873,174	4,214,126
Current liabilities			
Trade and other payables	13	213,250	141,050
Borrowings	14	21,154	22,972
Provisions	15	26,568	29,160
Total current liabilities		260,972	193,182
Non-current liabilities			
Borrowings	14	5,993	16,684
Total non-current liabilities		5,993	16,684
Total liabilities		266,965	209,866
Net assets		14,606,209	4,004,260
Equity			
Issued capital	16	16,458,284	4,933,096
Share application proceeds	17	-	421,500
Reserves	18	1,790,096	524,665
Accumulated losses		(3,642,171)	(1,875,001)
Total equity		14,606,209	4,004,260

Notes to the financial statements are included on pages 22 to 39.

Statement of changes in equity
for the financial year ended 30 June 2008

	Fully paid ordinary shares $	Share application proceeds $	Option premium reserve $	Share-based payments reserve $	Accumulated losses $	Total $
Balance at 1 July 2006	3,740,632	-	-	-	(1,115,690)	2,624,942
Loss for the period	-	-	-	-	(759,311)	(759,311)
Total recognised income and expense	-	-	-	-	(759,311)	(759,311)
Recognition of share-based payments - employees	-	-	-	348,339	-	348,339
Issue of shares	1,295,000	-	-	-	-	1,295,000
Shares to be issued	121,333	-	-	-	-	121,333
Receipt of share application proceeds	-	421,500	-	-	-	421,500
Issue of options	-	-	176,326	-	-	176,326
Share issue costs	(223,869)	-	-	-	-	(223,869)
Balance at 30 June 2007	4,933,096	421,500	176,326	348,339	(1,875,001)	4,004,260
Balance at 1 July 2007	4,933,096	421,500	176,326	348,339	(1,875,001)	4,004,260
Loss for the period	-	-	-	-	(1,767,170)	(1,767,170)
Total recognised income and expense	-	-	-	-	(1,767,170)	(1,767,170)
Recognition of share-based payments - employees	-	-	-	824,481	-	824,481
Recognition of share-based payments - share issue costs				440,950		440,950
Transfer from share application proceeds	421,500	(421,500)	-	-	-	-
Issue of shares	12,084,076	-	-	-	-	12,084,076
Share issue costs	(980,388)	-	-	-	-	(980,388)
Balance at 30 June 2008	16,458,284	-	176,326	1,613,770	(3,642,171)	14,606,209

Notes to the financial statements are included on pages 22 to 39.

Cash flow statement
for the financial year ended 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Interest received		219,341	45,026
Payments to suppliers and employees		(1,023,222)	(451,591)
Interest and other costs of finance paid		(267)	(1,209)
Net cash used in operating activities	22	(804,148)	(407,774)
Cash flows from investing activities			
Amounts advanced to associate		(130,516)	-
Payments for property, plant and equipment		(84,121)	(7,934)
Payments for exploration and evaluation		(3,716,241)	(1,821,152)
Payment for investment in joint venture company		-	(1)
Net cash used in investing activities		(3,930,878)	(1,829,087)
Cash flows from financing activities			
Proceeds from issues of equity securities		12,084,076	1,254,326
Proceeds from share applications		-	421,500
Payment for share issue costs		(595,525)	(125,792)
Repayment of borrowings		(31,937)	(7,550)
Net cash provided by financing activities		11,456,614	1,542,484
Net increase/(decrease) in cash and cash equivalents		6,721,588	(694,377)
Cash and cash equivalents at the beginning of the financial year		667,310	1,361,687
Cash and cash equivalents at the end of the financial year	22	7,388,898	667,310

Notes to the financial statements are included on pages 22 to 39.

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**
c/o Ord Nexia Pty Ltd Level 2, 47 Colin Street WEST PERTH WA 6005	6 Centro Avenue SUBIACO WA 6008

The entity's principal activity is the exploration for iron ore, gold and base metals in Australia.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24 September 2008.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Crtical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, 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 experiences 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 to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the entity's accountings policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

- AASB 7 'Financial Instruments: Disclosures;
- AASB 101 'Presentation of Financial Statements' – revised standard (October 2006)
- AASB 1048 'Interpretation and Application of Standards' – revised standard (September 2007);
- Interpretation 8 'Scope of AASB2';
- Interpretation 9 'Reassessment of Embedded Derivatives; and
- Interpretation 10 'Interim Financial Reporting'

The adoption of these new and revised Standards and Interpretations have not affected the amounts reported for the current or prior years, but have changed the disclosures made in the financial statements of the Company.

2. Significant accounting policies (continued)

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 101 '(revised September 2007) 'presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 123 'Borrowing Costs' – revised Standard and AASB 2007-6 'Amendments to Austrlalian Accounting Standards arising from AASB 123'	Effective for annual reporting periods beginning on or after 1 January 2009,
• AASB Interpretation 12 'Service Concession Arrangements'	Effective for annual reporting periods beginning on or after 1 January 2008,
• AASB Interpretation 14 'AASB 119 – the Limit ion a Defined benefit Asset, Minimum Funding Requirements and their Interaction	Effective for annual reporting periods beginning on or after 1 January 2008,
• AASB Interpretation 13 'Customer Loyalty Programme'	Effective for annual reporting periods beginning on or after 1 July 2008,
• AASB 2008 -2 'Amendments to Australian Accounting Standards – Puttable Financial instruments and Obligations arising on Liquidation'	Effective for annual reporting periods beginning on or after 1 January 2009,

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company. These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets
Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

2. Significant accounting policies (continued)

(d) Financial instruments issued by the Company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.
Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets
At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax
Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant accounting policies (continued)

(g) Income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(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 reporting 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 ans 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 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 varying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is 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 re-classified to development.

(i) Joint ventures
Jointly controlled assets and operations
Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities
Interests in jointly controlled entities are accounted for under the cost method in the Company financial statements.

(j) Operating cycle
The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables
Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

2. Significant accounting policies (continued)

(l) Presentation currency
The entity operates entirely within Australia and the presentation currency is Australian dollars.

(m) Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis and on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following depreciation rates useful lives are used in the calculation of depreciation:

Class of fixed asset	Depreciation effective life
• Office furniture & equipment	4 – 25 years
• Motor vehicle	8 – 10 years

(n) Leases
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and reward incidental to ownership of the leased asset to the lessee (note 14). Finance leases are capitalised at the lease's inception at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is amortised on a diminishing value basis over the estimated useful life of the asset.

All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(o) Provisions
Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition
Interest revenue
Interest revenue is recognised when receivable.

(q) Share-based payments
Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black and 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.

3. Critical accounting judgements and key sources of estimation uncertainty

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Key estimates — impairment
The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment loss was recorded in the current financial year (2007:nil).

Key estimates — share based payments
The Company 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 24.

4. Revenue

An analysis of the Company's revenue for the year, from continuing operations, is as follows:

	2008 $	2007 $
Interest revenue	219,203	45,026

5. Finance costs

	2008 $	2007 $
Interest on obligations under finance leases	5,128	1,119
Other interest expense	267	90
	5,395	1,209

6. Loss for the year

Loss for the year includes the following expenses:

	2008 $	2007 $
Depreciation of non-current assets	31,269	18,403
Employee benefit expense:		
Post employment benefits	13,437	48,999
Equity-settled share-based payments	824,482	348,339
Operating lease rental expenses:		
Minimum lease payments	146,542	40,919

7. Income taxes

Income tax recognised in profit or loss

	2008 $	2007 $
Tax benefit comprises:		
Current tax benefit	146,754	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
	146,754	-

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

Loss from operations	(1,913,924)	(759,311)
Income tax benefit calculated at 30%	(574,177)	(227,793)
Effect of expenses that are not deductible in determining taxable profit	360,540	105,121
Effect of non assessable items in determining taxable profit	(93)	(135)
Effect of tax concessions (research and development)	146,754	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	213,730	122,807
	146,754	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax assets and liabilities

	2008 $	2007 $
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	2,499,735	1,286,461
Temporary differences arising from exploration, evaluation and development	(2,079,093)	(1,022,005)
Temporary differences	25,322	111,300
	445,964	375,756

8. Trade and other receivables

	2008 $	2007 $
Other receivables and prepayments	269,771	55,541
Research and development tax concession receivable	146,754	-
	416,525	55,541

9. Investments accounted for using the equity method

	2008 $	2007 $
Investments in jointly controlled entities	-	1
	-	1

Name of entity	Principal activity	Country of incorporation	Ownership interest 2008 %	Ownership interest 2007 %	Published fair value 2008 $	Published fair value 2007 $
Jointly controlled entities						
Protal Metals Group Limited	Uranium exploration	Australia	50	50	-	1

The Company has a 50% interest in the ordinary share capital of Protal Metals Group Limited as at 30 June 2008.

The Company has fully provided for the investment due to the Company's decision to withdraw from the participation in the proposed Protal Metals Group Limited uranium focussed IPO in order for the company to focus on exploration and development of iron ore and maganese resources.

10. Other financial assets

	2008 $	2007 $
Loans carried at amortised cost:		
Non-current		
Loans to associates	129,096	-
Provision for non-recovery of loan to associate	(129,096)	-
	-	-

11. Property, plant and equipment

	Office furniture and equipment at cost $	Motor vehicle under finance lease $	Total $
Gross carrying amount			
Balance at 1 July 2006	72,496	-	72,496
Additions	7,274	43,574	50,848
Balance at 30 June 2007	79,770	43,574	123,344
Additions	66,592	17,529	84,121
Balance at 30 June 2008	146,362	61,103	207,465
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2006	20,349	-	20,349
Depreciation expense	15,070	3,333	18,403
Balance at 30 June 2007	35,419	3,333	38,752
Depreciation expense	23,719	7,550	31,269
Balance at 30 June 2008	59,138	10,883	70,021
Net book value			
As at 30 June 2007	44,351	40,241	84,592
As at 30 June 2008	87,224	50,219	137,444

The following useful lives are used in the calculation of depreciation:

Office furniture and equipment	4 – 25 years
Motor vehicle under finance lease	8 - 10 years

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	2008 $	2007 $
Office furniture and equipment	23,719	15,070
Motor vehicle under finance lease	7,550	3,333
	31,269	18,403

12. Exploration and evaluation expenditure

	Exploration and evaluation $	Total $
Balance at 1 July 2006	1,355,351	1,355,351
Capitalised during the year	2,051,331	2,051,331
Balance at 30 June 2007	3,406,682	3,406,682
Capitalised during the year	3,767,463	3,767,463
Exploration written off during the year	(243,838)	(243,838)
Balance at 30 June 2008	6,930,307	6,930,307

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

13. Trade and other payables

	2008 $	2007 $
Trade payables	94,481	35,496
Accruals	26,169	66,587
Other payables	92,600	38,967
	213,250	141,050

14. Borrowings

	2008 $	2007 $
Current		
Lease liabilities (refer note 20)	21,154	22,972
Non Current		
Lease liabilities (refer note 20)	5,993	16,684

15. Provisions

	2008 $	2007 $
Employee benefits	26,568	29,160

16. Issued capital

	2008 $	2007 $
75,288,047 fully paid ordinary shares (2007: 45,504,671)	16,458,284	4,933,096

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2008		2007	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	45,504,671	4,933,096	36,798,006	3,740,632
Share placements at 14 cents	14,999,994	2,100,000	-	-
Exercise of options at 20 cents	805,382	161,076	-	-
Exercise of options at 25 cents	4,978,000	1,244,500		
Share placement at $1.00	9,000,000	9,000,000	-	-
Acquisition of project	-	-	1,100,000	175,000
Shares to be issued	-	-	606,665	121,333
Share placement	-	-	7,000,000	1,120,000
Share issue costs	-	(980,388)	-	(223,869)
Balance at end of financial year	75,288,047	16,458,284	45,504,671	4,933,096

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

Share options on issue

Share options issued by the Company carry no rights to dividends and no voting rights.

As at 30 June 2008, the Company has 36,449,257 share options on issue (2007: 24,832,668) exercisable on a 1:1 basis for 36,449,257 shares (2007: 24,832,668) at various exercise prices. The options expire between 30/11/10 and 31/05/11. Further details of options granted to directors and employees are contained in note 24 to the financial statements.

Capital 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 Company consists of equity only, comprising issued capital and reserves, net of accumulated losses. The Company's policy is to use capital market issues to meet the funding requirements of the Company.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

17. Share application proceeds

	2008 $	2007 $
Balance at beginning of financial year	421,500	-
Transfer to issued capital	(421,500)	-
Proceeds from 3,010,714 unissued shares at 14 cents each pursuant to a share placement. Shares were subsequently issued post year end	-	421,500
	-	421,500

18. Reserves

	2008 $	2007 $
Share based payments reserve	1,613,770	348,339
Option premium	176,326	176,326
	1,790,096	524,665

The share based payment reserve arises on the grant of share options to executives and senior employees under the employee share option plan and to third parties, including consultants and advisors. Further information about share-based payments to employees is made in note 24 to the financial statements.

The option premium reserve records the proceeds received on the issue of share options by the company.

19. Loss per share

	2008 Cents per share	2007 Cents per share
Basic loss per share	0.02	1.84

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2008 $	2007 $
Net loss	1,767,170	759,311

	2008 No.	2007 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	101,578,734	41,370,883

Options outstanding have been classified as potential ordinary shares, however they are not considered dilutive in nature as their conversion will not result in an increase in the basic loss per share.

20. Commitments for expenditure

	2008 $	2007 $
(a) Capital expenditure commitments		
Exploration expenditure		
Not longer than 1 year	704,000	478,190
Longer than 1 year and not longer than 5 years	2,816,000	578,962
Longer than 5 years	-	-
	3,520,000	1,057,152

Leasing arrangements

Finance leases relate to manufacturing equipment with lease terms of 3 years. The Company has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	2008 $	2007 $
No later than 1 year	23,556	26,006
Later than 1 year and not later than 5 years	6,736	17,338
Later than five years	-	-
Minimum future lease payments*	30,292	43,344
Less future finance charges	(3,145)	(3,688)
Present value of minimum lease payments	27,147	39,656
Included in the financial statements as: (note 14)		
Current borrowings	21,154	22,972
Non-current borrowings	5,993	16,684
	27,147	39,656

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

Leasing arrangements comprise an agreement for the rental of office space with a lease term of 5 years.

Non-cancellable operating lease commitments

	2008 $	2007 $
Not longer than 1 year	161,191	95,891
Longer than 1 year and not longer than 5 years	483,573	420,611
Longer than 5 years	-	-
	644,764	516,502

21. Contingent liabilities and contingent assets

There were no contingent assets or liabilities at the year-end.

22. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2008 $	2007 $
Cash and cash equivalents	7,388,898	667,310

(b) Non-cash financing and investing activities

	2008 $	2007 $
Shares to be used in part settlement of drilling costs	-	121,333
Equity settled share-based payment in consideration of share placement fee	649,050	30,797
Issue of shares to acquire tenements	-	175,000
Acquisition of motor vehicle by means of finance lease	-	42,914
	649,050	370,044

(c) Cash balances not available for use

$12,000 deposits lodged with DOIR.

(d) Reconciliation of loss for the year to net cash flows from operating activities

	2008 $	2007 $
Loss for the year	(1,767,170)	(759,311)
Share of associate’s loss	2,653	-
Depreciation and amortisation	31,269	18,403
Provision for impairment of investment in associate	129,096	-
Impairment of exploration	243,838	-
Equity-settled share-based payment	824,482	348,339
(Increase)/decrease in assets:		
Trade and other receivables	(344,281)	(3,968)
Increase/(decrease) in liabilities:		
Trade and other payables	78,557	(30,909)
Provisions	(2,592)	19,672
Net cash used in operating activities	(804,148)	(407,774)

23. Financial instruments

(a) Overview

The Company has exposure to the following risks from their use of financial instruments

- Liquidity risk
- Interest rate risk

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligatons as they fall due. The company'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 company's reputation.

Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 6 months, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

Liquidy and interest risk tables

The remaining contractual maturity for the non-derivative financial liabilities of the company are shown in the tables below

2008	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	5+ years $	Total
Financial liabilities						
Trade payables	213,250	-	-	-	-	213,250
Finance lease	1,763	5,289	14,102	5,993	-	27,147
	215,013	5,289	14,102	5,993	-	240,397
2007						
Financial liabilities						
Trade payables	141,050	-	-	-	-	141,050
Finance lease	1,914	5,743	15,315	16,684	-	39,656
	142,964	5,743	15,315	16,684	-	180,706

Interest rate risk

Some of the company's assets are subject to interest rate risk but the company is not dependent on this income. Interest income is only incidental to the company's operations and operating cashflows.

The company is exposed to interest rate risk as it has borrowed funds at (fixed/ variable) interest rates. The company manages this risk by keeping such liabilities to a financially tolerable level and taking into account expected movements in interest rates.

The exposure to interest rate risk as at 30 June 2008 and 30 June 2007 for the Company are shown in the tables below:

	Weighted average effective interest rate		Fixed maturity dates							
2008	%	Variable interest rate $	Less than 1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
Financial assets										
Cash and cash equivalents	3.8	7,386,118	-	-	-	-	-	-	2,780	7,388,898
Trade receivables	-	-	-	-	-	-	-	-	269,772	269,772
Financial liabilities										
Trade payables									213,250	213,250
Finance lease liabilities	10.2	-	21,154	5,993	-	-	-	-	-	27,147

23. Financial instruments (continued)

2007	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates Less than 1 year $	1-2 years $	2-3 years $	3-4 years $	4-5 years $	5+ years $	Non interest bearing $	Total $
Financial assets										
Cash and cash equivalents	4.3	653,456	10,000	-	-	-	-	-	3,854	667,310
Trade receivables	-	-	-	-	-	-	-	-	55,541	55,541
Financial liabilities										
Trade payables	-	-	-	-	-	-	-	-	141,050	141,050
Lease liabilities	10.2	-	22,972	16,684	-	-	-	-	-	39,656

<u>Interest rate sensitivity analysis</u>

The sensitivity analysis of the Company's exposure to interest rate risk at the reporting date has been determined based on the 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 Company's net loss would have decreased by $36,411 (2007: $5,072). If interest rates had decreased, there would be an equal and opposite impact on the loss.

Fair value of financial assets and liabilities

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

24. Share-based payments

Employee share options

The Company has an Employee Share Option Plan ("ESOP") for executives and employees of the Company. In accordance with the provisions of the ESOP, as approved by shareholders at a previous annual general meeting, executives and employees may be granted options at the discretion of the directors.

Each employee share option converts into one ordinary share of Talisman Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors subject to the total number of outstanding options being issued under the ESOP not exceeding 5% of the Company's issued capital at any one time.

The exercise price is calculated with reference to a formula contained within the rules governing the ESOP or at the Boards discretion and which rewards employees against the extent of the Company's performance on the capital markets. Where appropriate the directors have established appropriate vesting conditions to incentivise executives and employees to remain in the employ of the Company.

Options issued to directors are not issued under the ESOP but are subject to approval by shareholders and attach vesting conditions as appropriate.

Other share based payment arrangements

On 8 October 2007, the company issued 3,000,000 listed options exercisable at 20 cents on or before 31 December 2010 to RM Capital Pty Ltd as part of their mandate to manage a placement.

On 15 February 2008, the company issued 1,000,000 unlisted options exercisable at $1.20 on or before 31 December 2010 to Bajada & Associates Pty Ltd as part of their mandate to manage a placement.

24. Share-based payments (continued)
Share based payment arrangements in existence during period

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
(1) 31 December 2010	1,750,000	22 November 2006	31 December 2010	0.25	0.110
(2) 31 December 2010	472,000	11 May 2007	31 December 2010	0.25	0.082
(3) 31 December 2010	3,000,000	3 September 2007	31 December 2010	0.20	0.060
(4) 31 December 2010	1,000,000	15 February 2008	31 December 2010	1.20	0.4664
(5) 31 December 2010	400,000	19 May 2008	31 December 2010	1.20	0.3172
(6) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.00	0.3364
(7) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.20	0.3104
(8) 30 November 2010	1,500,000	19 May 2008	30 November 2010	1.60	0.2694
(9) 30 November 2010	1,500,000	19 May 2008	30 November 2010	2.20	0.2252
(10) 31 May 2011	500,000	19 May 2008	31 May 2011	1.00	0.3716
(11) 31 May 2011	500,000	19 May 2008	31 May 2011	1.20	0.3478
(12) 31 May 2011	500,000	19 May 2008	31 May 2011	1.60	0.3097
(13) 31 May 2011	500,000	19 May 2008	31 May 2011	2.20	0.2676

(1) (2) (3) (4) & (6) Options vested immediately.
(5) Options vest 30 April 2009.
(7) & (10) Options vest 30 November 2008
(8) Options vest 30 November 2009
(9) Options vest 30 September 2010
(11) Options vest 31 May 2009
(12) Options vest 31 May 2010
(13) Options vest 31 March 2011

Options series 3 were valued using the average listed option price of TLMO from the date of the share placement announcement (17 May 2007) to the final date of the issue of the shares (3 September) as this is the period in which the options were earnt.
The fair value of the share options granted during the financial year is $2,695,430 (2007: $348,339). Options were priced using a Black & Scholes pricing model. Expected volatility is based on the movement of the underlying share price around its average share price over the expected term of the option. The directors have determined the expected period of exercise to be similar to the option life based on historical experience.

Inputs into the model	Option series (4) 31 December 2010	Option series (5) 31 December 2010	Option series (6) 30 November 2010	Option series (7) 30 November 2010
Grant date share price	$0.54	$0.65	$0.65	$0.65
Exercise price	$1.20	$1.20	$1.00	$1.20
Expected volatility	100%	100%	100%	100%
Option life	2.8 years	2.5 years	2.5 years	2.5 years
Dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	6.54%	6.71%	6.71%	6.71%

Inputs into the model	Option series (8) 30 November 2010	Option series (9) 30 November 2010	Option series (10) 31 May 2011	Option series (11) 31 May 2011
Grant date share price	$0.65	$0.65	$0.65	$0.65
Exercise price	$1.60	$2.20	$1.00	$1.20
Expected volatility	100%	100%	100%	100%
Option life	2.5 years	2.5 years	3 years	3 years
Dividend yield	Nil	Nil	Nil	Nil
Risk-free interest rate	6.71%	6.71%	6.71%	6.71%

Inputs into the model	Option series (12) 31 May 2011	Option series (13) 31 May 2011
Grant date share price	$0.65	$0.65
Exercise price	$1.60	$2.20
Expected volatility	100%	100%
Option life	3 years	3 years
Dividend yield	Nil	Nil
Risk-free interest rate	6.71%	6.71%

24. Share-based payments (continued)

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

	2008		2007	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	12,032,250	0.23	3,900,000	0.25
Granted during the financial year – Directors and employees	8,400,000	1.44	3,300,000	0.25
Granted during the financial year – Contractors/ advisors	4,000,000	0.60	4,832,250	0.20
Exercised during the financial year (i)	(4,978,000)	-	-	-
Balance at end of the financial year (ii)	19,454,250	0.81	12,032,250	0.23
Exercisable at end of the financial year	11,454,250	0.81	8,100,000	0.23

(i) Exercised during the financial year

The following share options granted under the employee share option plan were exercised during the financial year:

2008 Options series	Number exercised	Exercise date	Share price at exercise date $
30 June 2008 exercisable at 25 cents	3,900,000	19 December 2007	$1.14
31 December 2010 exercisable at 25 cents	20,000	27 November 2007	$1.02
31 December 2010 exercisable at 25 cents	58,000	17 December 2007	$1.30
31 December 2010 exercisable at 25 cents	1,000,000	19 December 2007	$1.14

(ii) 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 2.5 years (2007: 2.7 years).

25. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Talisman Mining Limited has no subsidiary companies.

Equity interests in associates and joint ventures

Details of equity interests in associates are disclosed in note 9 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2008 $	2007 $
Short-term employee benefits	377,518	205,519
Post-employment benefits	32,735	13,500
Share-based payments	865,036	302,809
	1,275,289	521,828

25. Related party transactions (continued)

ii. Key management personnel equity holdings

Fully paid ordinary shares of Talisman Mining Limited

	Balance at 1 July 2007 No.	Balance on appointment No.	Net other change No.	Received on exercise of options No.	Balance on resignation No.	Balance at 30 June 2008 No.
2008						
Alan Senior (i)	N/A	-	-	-	N/A	-
Steven Elliott	5,100,002	N/A	(2,800,000)	4,900,000	N/A	7,200,002
Mick Bunyard (ii)	N/A	-	(22,000)	22,000	N/A	-
Karen Gadsby (iii)	N/A	-	-	-	N/A	-
Harry Cornelius	N/A	N/A	(30,000)	56,000	N/A	26,000
Ian Macpherson (iv)	1,800,000	N/A	-	-	1,800,000	N/A
Michael Hannington (v)	300,000	N/A	-	-	300,000	N/A
2007						
Ian Macpherson	1,800,000	N/A	-	-	N/A	1,800,000
Michael Hannington	300,000	N/A	-	-	N/A	300,000
Steven Elliott	5,000,002	-	100,000	-	N/A	5,100,002

(i) Appointed 7 November 2007
(ii) Appointed 31 July 2007
(iii) Appointed 3 April 2008
(iv) Resigned 7 November 2007
(v) Resigned 31 July 2007

Share options of Talisman Mining Limited

	Balance at 1 July No.	Balance on appointment No.	Granted as remuneration No.	Exercised No.	Net other change No.	Balance on resignation No.	Balance at 30 June No.	Vested but not exercisable No.	Vested and exercisable at 30 June No.
2008									
Alan Senior (i)	N/A	-	4,000,000	-	-	N/A	4,000,000	-	1,000,000
Steven Elliott	6,566,668	N/A	-	(4,900,000)	-	N/A	1,666,668	-	1,666,668
Mick Bunyard (ii)	N/A	-	2,050,000	(22,000)	-	N/A	2,028,000	-	528,000
Karen Gadsby (iii)	N/A	-	2,000,000	-	-	N/A	2,000,000	-	-
Harry Cornelius	-	N/A	800,000	(56,000)	-	N/A	744,000	-	444,000
Ian Macpherson (iv)	1,600,001	N/A	-	-	-	1,600,001	N/A	N/A	N/A
Michael Hannington (v)	850,000	N/A	-	-	-	850,000	N/A	N/A	N/A
2007									
Ian Macpherson (i)	-	-	1,000,000	-	600,001	-	1,600,001	1,000,000	600,001
Michael Hannington (ii)	-	-	750,000	-	100,000	-	850,000	750,000	100,000
Steven Elliott	3,900,000	-	1,000,000	-	1,666,668	-	6,566,668	1,000,000	5,566,668

(i) Appointed 7 November 2007
(ii) Appointed 31 July 2007
(iii) Appointed 3 April 2008
(iv) Resigned 7 November 2007
(v) Resigned 31 July 2007

Further details of the employee share option plan and of share options granted during the 2008 and 2007 financial years are contained in note 24 to the financial statements.

iii. Other transactions with key management personnel of the Company

During the period to 7 November 2007, Ord Nexia Pty Ltd, a company associated with Ian Macpherson provided corporate advice to the Company on commercial terms. Services provided until Ian Macpherson's resignation on 7 November 2007 totaled $34,558 (2007:$125,233).

(c) Transactions with other related parties

Other related parties include:

- associates

All amounts advanced to or payable to associates are unsecured, interest free, have no fixed repayment date and are subordinate to other liabilities.

26 Remuneration of auditors

	2008 $	2007 $
Auditor of the parent entity		
Audit or review of the financial report	23,212	17,545

The auditor of Talisman Mining Limited is HLB Mann Judd.

27 Subsequent events

1. On 2 July 2008, the company announced that it had withdrawn from participation in the proposed Protal Metals Group Limited uranium-focused IPO in order for the company to focus on exploration and development of iron ore and manganese resources in Western Australia, with particular emphasis on the flagship Wonmunna Iron Ore project in the Pilbara region. The company retains the uranium assets and the concept of a uranium-focussed IPO may be revisted in the future, depending upon the company's activities and market conditions.

2. On 29 July 2008, the company announced that it has relinquished the Mount James and Bustler Well gold projects in order to continue with and further enhance the company's focus on iron ore, in particular the Wonmunna project.

3. On 28 August 2008, the company announced an Inferred Resource at the 100% owned NMM Wonmunna project.

Additional securities exchange information as at 22 September 2008

Number of holders of equity securities

Ordinary share capital

75,288,047 fully paid ordinary shares are held by 1,407 individual shareholders.
All issued ordinary shares carry one vote per share.

Listed Options
24,827,257 listed options are held by 338 individual optionholders.
Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	Number of holders	Listed Options	Number of holders
1 – 1,000	60,388	88	7,827	14
1,001 – 5,000	1,118,878	354	235,737	69
5,001 – 10,000	2,773,560	315	428,800	52
10,001 – 100,000	19,506,773	520	5,586,263	154
100,001 and over	51,828,448	130	18,568,630	49
	75,288,047	**1,407**	**24,827,257**	**338**

The number of shareholders holding less than a marketable parcel is 143 given a share value of 32 cents per share.

Substantial shareholders

	Fully paid ordinary shares	
Ordinary shareholders	**Number**	**%**
Mr Steven Elliott	7,200,002	9.56
Mr Kerry Harmanis	4,960,000	6.59
Mr Graham Walker	4,175,000	5.54
	16,335,002	21.69

Twenty largest holders of ordinary shares

Ordinary shareholders	Fully paid ordinary shares Number	%
1. Mr Steven Elliott	5,310,001	7.05
2. Tyche Holdings Pty Ltd	4,960,000	6.59
3. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	2,150,000	2.86
4. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker <Walker Super Fund A/C>	2,025,000	2.68
5. UBS Wealth Management Australia Nominees Pty Ltd	2,000,000	2.66
6. Arcaro Holdings Pty Ltd	1,890,001	2.51
7. Metalmite Pty Ltd	1,800,000	2.39
8. Bitutti Pty Ltd	1,700,000	2.26
9. Redcode Pty Ltd	1,675,000	2.22
10. Goldbay Limited	1,500,000	1.99
11. Mr Paul Rozier Oost <Oost Super Fund A/C>	1,262,600	1.68
12. Mr Thomas Robert Gerard Sutherland	1,024,680	1.36
13. Mr Christopher Mark Edwards	865,000	1.15
14. Trader 13 Pty Ltd	719,576	0.96
15. Mr Nicholas Apostoles & Mrs Margaret Apostoles <Apostoles Family S/F A/C>	705,000	0.94
16. Orbit Drilling Pty Ltd	606,665	0.81
17. FATS Pty Ltd	575,000	0.76
18. Lippo Securities Nominees (BVI) Ltd <Client A/C>	530,000	0.70
19. J & TW Dekker Pty Ltd <J & TW Dekker Family A/C>	500,000	0.66
20. Coralberry Grove Pty Ltd	500,000	0.66
	32,298,523	**42.89**

Twenty largest holders of listed options

Ordinary shareholders	Fully paid ordinary shares Number	%
1. Hawera Pty Ltd	2,383,333	9.60
2. Redcode Pty Ltd	2,000,000	8.06
3. Arcaro Holdings Pty Ltd	1,563,335	6.30
4. Mount Street Investments Pty Ltd <The M J Blake S/F A/C>	1,200,000	4.83
5. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker <Walker Super Fund A/C>	975,000	3.93
6. Hawera Pty Ltd <The Bailey Family A/C>	900,000	3.62
7. Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	833,334	3.35
8. Mr Michael Don Grubisa & Mrs Lynette Joy Grubisa <Super A/C>	500,000	2.01
9. Fortis Clearing Nominees Pty Ltd <Settlement A/C>	433,316	1.74
10. FATS Pty Ltd	333,334	1.34
11. Barclay Wells Limited	330,000	1.33
12. Truwest Pty Ltd <Super Fund A/C>	316,064	1.27
13. Regent Corporation 2001 Pty Ltd	314,633	1.27
14. Jem Nominees Pty Ltd	310,000	1.25
15. Metalmine Pty Ltd	303,333	1.22
16. Mr Ian Barrie Murie & Mrs Tania Murie <IB & T Murie Super Fund A/C>	300,000	1.21
17. Celebrity Agents Pte Ltd	300,000	1.21
18. Guina Nominees Pty Ltd <Byass Super Fund A/C>	300,000	1.21
19. Strand Corporation Pty Ltd	298,701	1.20
20. Northerly Investments Pty Ltd	280,000	1.13
	14,174,383	**57.08**

Company secretary
Darren Crawte

Registered office
Level 2, 47 Colin Street
WEST PERTH WA 6005

Principal administration office
Ground Level, 6 Centro Avenue
SUBIACO WA 6008

Share registry
Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009