

DECEMBER 2009 QUARTERLY REPORT

COMPANY SNAPSHOT

Directors

Alan Senior - Non Executive Chairman

Gary Lethridge - Managing Director

Peter Langworthy - Technical Director

Brian Dawes - Executive Director

Karen Gadsby - Non Executive Director

Contact Details

6 Centro Avenue
Subiaco Western Australia 6008

Telephone: +61 8 9380 4230

Facsimile: +61 8 9382 8200

Email: info@talismanmining.com.au

Website: www.talismanmining.com.au

Capital Structure

Shares on Issue: 93,964,397
ASX: TLM & TLMO

HIGHLIGHTS

- An exploration update was reported subsequent to the end of the quarter (ASX announcement 22nd January 2010) highlighting the strong pipeline of priority VMS-style copper-gold targets identified at Springfield
- Drilling is set to commence during March 2010 following recent granting of key Exploration Licences and completion of Access Agreements with the Traditional Landowners
- Portfolio of emerging exploration projects consolidated across the Bryah Basin covering extensive areas of the Narracoota Volcanic formation. Talisman's strategic footprint in the Bryah Basin now covers a total area of 956km²
- The acquisition of the Halloween Copper- Gold Project was reported to the market during the quarter (ASX announcement 11th December 2009)
- Exploration at Springfield to be progressed in parallel with an aggressive regional VMS exploration strategy in the Bryah Basin in 2010

BRYAH BASIN EXPLORATION

The Company has developed a strong pipeline of high-quality drilling targets for 2010 which are prospective for the discovery of volcanogenic massive sulphide (VMS) copper-gold mineralisation similar to Sandfire Resources NL's nearby DeGrussa, Conductor 1 and Conductor 4 deposits.

Through a combination of project acquisition and evaluation of its existing tenements, Talisman has now consolidated an extensive portfolio of exploration projects across the Bryah Basin covering a total area of 956km². This will enable the Company to adopt a strategic regional approach to exploration across the Basin and develop a deep pipeline of exploration targets.



Springfield Copper-Gold Project (TLM 100%)

The Springfield Project comprises a 294km² ground package located approximately 150km north east of Meekatharra in the northern Murchison Goldfields (see *Figure 1*). Springfield is located approximately 5km to the east of the DeGrussa, Conductor 1 and Conductor 4 high-grade VMS copper-gold discoveries.

Talisman has rapidly progressed exploration at Springfield over the past six months, with key milestones including:

- *Confirmation that the same **Narracoota Volcanic Formation** that hosts the DeGrussa and Conductor 1 and 4 deposits continues for approximately 25km within the Springfield Project area;*
- *Establishment of the VMS Camp concept based on the geological model that VMS deposits typically occur in clusters. This understanding opens up the Springfield Project as one of the most prospective exploration properties in Western Australia for the discovery of high-grade copper-gold VMS deposits;*
- *Granting of key Exploration Licences for the Springfield Project, allowing Talisman to fast-track its planned exploration programs;*
- *Signing of regional access agreements and successful completion of the first phase of ground clearances with the traditional owners;*
- *Completion of extensive geochemical sampling programs that have identified multiple targets for further assessment and follow-up exploration;*
- *Commencement of moving loop electromagnetic surveys ("MLEM"); and*
- *Planning for drilling programs to commence in March 2010.*

The key component of the exploration programs undertaken to date has been extensive programs of multi-element geochemical sampling. This work has been very encouraging, resulting in the identification of in excess of 30 priority targets across the Springfield Project that will provide the basis for the next phase of exploration including drilling and MLEM (see *Figure 2*).

Ongoing programs of in-fill geochemical sampling and mapping are expected to elevate a series of Priority 2 targets to a Priority 1 status suitable for EM and drill testing plus potentially identifying additional exploration targets.

Forward Program

Exploration priorities at the Springfield Project over the coming months include:

- *Completion of the MLEM survey at the Priority 1 **Homer** and **Abraham** Prospects;*
- *First-pass MLEM surveys at the Priority 1 **Monty** and **Skinner** Prospects;*
- *In-fill geochemical sampling and mapping at the 32 currently defined Priority 2 geochemical targets, which this work will further refine and prioritise;*
- *Commencement of drilling of the Priority 1 targets in March 2010, with the expectation that this first phase of drilling will extend from between 3 to 6 months; and*
- *Establishment of an exploration camp.*

Talisman has made substantial progress with exploration at Springfield over the past six months, laying the foundations for drilling to commence in March 2010.

The quality of the exploration targets delineated to date justifies the commitment to a concerted drilling program that will be designed to test for the presence of copper-gold mineralisation and to establish the geological setting.



In addition, ongoing geophysical and geochemical work is expected to generate follow-up targets which will be progressively tested depending on drilling progress and results. The information will be reviewed and fed back into Talisman's regional exploration database to refine its exploration model for the Bryah Basin and assist with exploration at its other regional exploration projects in the province.

Regional – Bryah Basin Projects

In addition to the advanced Springfield Project, Talisman has now successfully consolidated a series of exploration projects across the Bryah Basin. These projects, encompassing a total area of 956km² collectively cover extensive areas of the prospective **Narracoota Volcanic Formation**.

This positions Talisman to take advantage of the emergence of what is believed to be a new geological province that is considered highly prospective for camps of VMS Deposits.

It also provides depth and continuity to the Company's exploration portfolio, providing the opportunity to apply geological knowledge gained from exploration across the Basin and develop a series of follow-up exploration targets to complement those already identified at Springfield.

Halloween Project (TLM 100%)

The Halloween Project, which was acquired in December 2009, is located approximately 11.5km west of the Springfield Project and 16.5km south-west of, and along strike from, the high-grade DeGrussa, Conductor 1 and Conductor 4 VMS copper-gold deposits, where Sandfire is currently completing a resource drill-out (see *Figure 3*).

The Halloween Project covers part of the Narracoota Volcanic Formation and is located along strike of a series of airborne EM conductors identified by both Sandfire and Chrysalis Resources.

Work programs planned over the coming months for Halloween include collection of geochemical samples, moving loop electromagnetic surveys, mapping and drilling.

Shelby Project (TLM 100%)

The Shelby Project is located on the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (see *Figure 1*). The 309km² project area has been targeted on the basis that extensions of the prospective Narracoota Volcanic Formation may extend further to the north under the younger sedimentary units of the Bangemall Basin.

Talisman has recently secured the grant of three Exploration Licences at Shelby. These cover both the margins of the Bryah Basin and a number of large magnetic features identified in regional magnetic datasets beneath the edge of the Bangemall Basin.

Upcoming programs of exploration include reconnaissance mapping and geochemical sampling, as well as modelling of the airborne magnetic data to identify potential targets for drilling under the sedimentary cover.

While the Shelby Project is considered to be higher risk than Talisman's other projects in the Bryah Basin, it presents an innovative concept with the potential to add a large prospective area for VMS exploration.



Milgun Project (TLM 80%)

The Milgun Project is located approximately 20km north west of the Shelby Project and covers what Talisman has identified as a northern outlier of the Bryah Basin (see *Figure 1*). The 123km² Project was originally targeted for gold, however recent assessments have identified the presence of a sequence of volcanic rock that are likely to be the equivalent of the Narracoota Volcanic Formation, and are therefore highly prospective for VMS-style deposits.

Initial exploration planned for the Milgun Project will consist of reconnaissance mapping and programs of geochemical sampling. This work is aimed at confirming the prospectivity of the area prior to more detailed exploration.

Trillbar Project

The Trillbar Project is located on the western edge of the Bryah Basin and is interpreted to cover an approximate 20km strike length of the Narracoota Volcanic Formation (see *Figure 1*).

Until recently, the exploration focus at Trillbar has been for shear zone related gold (the Project includes a 50,000oz JORC compliant resource at the Boundary Gold Deposit). The Project has never previously been considered for its VMS potential.

Exploration programs planned for the Trillbar Project in the coming months include programs of reconnaissance geochemistry to confirm if the Narracoota Formation in this area has a VMS "signature", mapping of limited outcrop and re-sampling of available drill spoils from historical gold drilling.

OTHER EXPLORATION PROJECTS

Wonmunna Iron Ore Project (TLM 100%)

The Wonmunna Iron Project is strategically located in the heartland of the East Pilbara iron ore mining industry, with three major operating iron ore mines (West Angelas, Area C and Hope Downs) located within 20km of the lease boundary (see Figure 4). The Wonmunna Project comprises three primary iron deposits, (North Marra Mamba, Central Marra Mamba and South Marra Mamba) which are prospective for Marra Mamba iron mineralisation and numerous exploration targets.

To date, JORC inferred resources totalling 78.3Mt @ 56.0% (50% Fe lower cut-off) have been estimated for the Project.

The focus during the quarter continued to be predominantly directed towards identifying, reviewing and considering options for the project that have the ability to unlock commercial development pathways for Wonmunna with the aim of realising the potential value of this key project.

Also during the quarter, various desk top studies were undertaken on potential development scenarios in addition to the commencement of an assessment of the remaining exploration potential of the project, following a site visit and the review and assessment of historical project data.

Skull Springs JV (TLM 100% / SSR earning 70%)

In October 2009 Talisman and Shaw River Resources entered into a letter agreement setting out the terms and conditions of a farm-in on Talisman's East Pilbara manganese tenements. The Skull Springs Project is named after a nearby manganese deposit which is located within 10km of the main prospect. The project comprises four tenements known as the Wandanya, Yilgalong and Gangarrigan prospects. The tenements are located on exposed and covered Carawine Dolomite and Pinjian Chert, which are the target horizons for high grade DSO (+40%) manganese ore in the Woodie Woodie region.

At Wandanya, located 40km southwest of the Woodie Woodie Operations, high grade rock chips up to 65% Mn have been assayed in outcrops of manganese mineralisation trending NE-SW. Talisman has previously conducted airborne EM over the Wandanya prospect and has identified a number of potential targets, which will now be followed up by Shaw River Resources.



During the Quarter, Shaw River Resources Limited undertook a review of the EM (Electromagnetic) data for Wandanya and conducted an internal geological review of manganese in the project area. This review created a greater understanding of the stratigraphy of the Skull Springs area to assist in mapping and target generation.

Shaw River Resources plans to evaluate the Skull Springs Project as an extension to its Baramine manganese project exploration programs.

Shaw River Resources has advised that over the coming months their exploration activities are planned to include:

- Ground based review of EM targets at Wandanya;
- Mapping and systematic rock chip sampling to identify areas of mineralisation and intense dissolution of manganese, both excellent indicators of buried mineralisation; and
- RC drill target generation and testing across all three prospects, to coincide with the completion of its first drill program at its Baramine manganese project in 2010.

Maitland (TLM 80%)

The Maitland project is located approximately 115km north of Meekatharra in the northern Murchison Goldfields, Western Australia. The project covers a sequence of Archean mafic, ultramafic and sedimentary rocks that have been shown by reconnaissance exploration by Talisman to be prospective for gold, base metals and high grade iron ore.

Recent work has focussed on better defining the potential for hematite-enriched BIF-hosted deposits (Midwest-style). Results up to 55% Fe have been returned in previous programs of channel sampling.

Assessment of the project is continuing.

Uaroo (TLM 100%)

The Uaroo Project lies within the Ashburton Mineral Field approximately 370km north east of Carnarvon.

The project is primarily being assessed for its base metals and gold potential however recent announcements by Zinc Co Australia Pty Ltd (ASX code: ZNC) have highlighted the potential of the area to host metallurgically favourable BIF-associated magnetite deposits. In terms of iron ore infrastructure the Uaroo Project area is located adjacent to the North West Highway near the port of Onslow.

The ongoing assessment of the new project will now consider the potential for iron ore deposits.

Anticline Polymetallic Project (TLM 100% - iron rights held by FMG)

No exploration activity.

Tom Price Polymetallic Project (TLM 100% - iron rights held by FMG)

No exploration activity.

Yamarna Gold Project (TLM 100%)

No exploration activity.

Yamada Iron Ore Project (relinquished)

A recently completed review of the Yamada project resulted in the exploration licence application being dropped.

CORPORATE

On 1 December Daniel Madden was appointed Company Secretary and Chief Financial Officer of Talisman. Mr Madden has spent the last 8 years in the resources industry in Western Australia holding positions as audit manager for Deloitte, Financial Controller for Jubilee Mines NL and Xstrata Nickel Australasia. Most recently he held the senior position of Manager of Finance for Xstrata Nickel Australasia.



Competent Persons' Statement

Information in this ASX release that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Harry Cornelius, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities 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 Harry Cornelius consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

- ENDS -

For further information, please contact:

For media inquiries, please contact:

Gary Lethridge – Managing Director

Nicholas Read – Read Corporate

or

on +61 419 929 046

Peter Langworthy – Technical Director

on +61 8 9380 4230

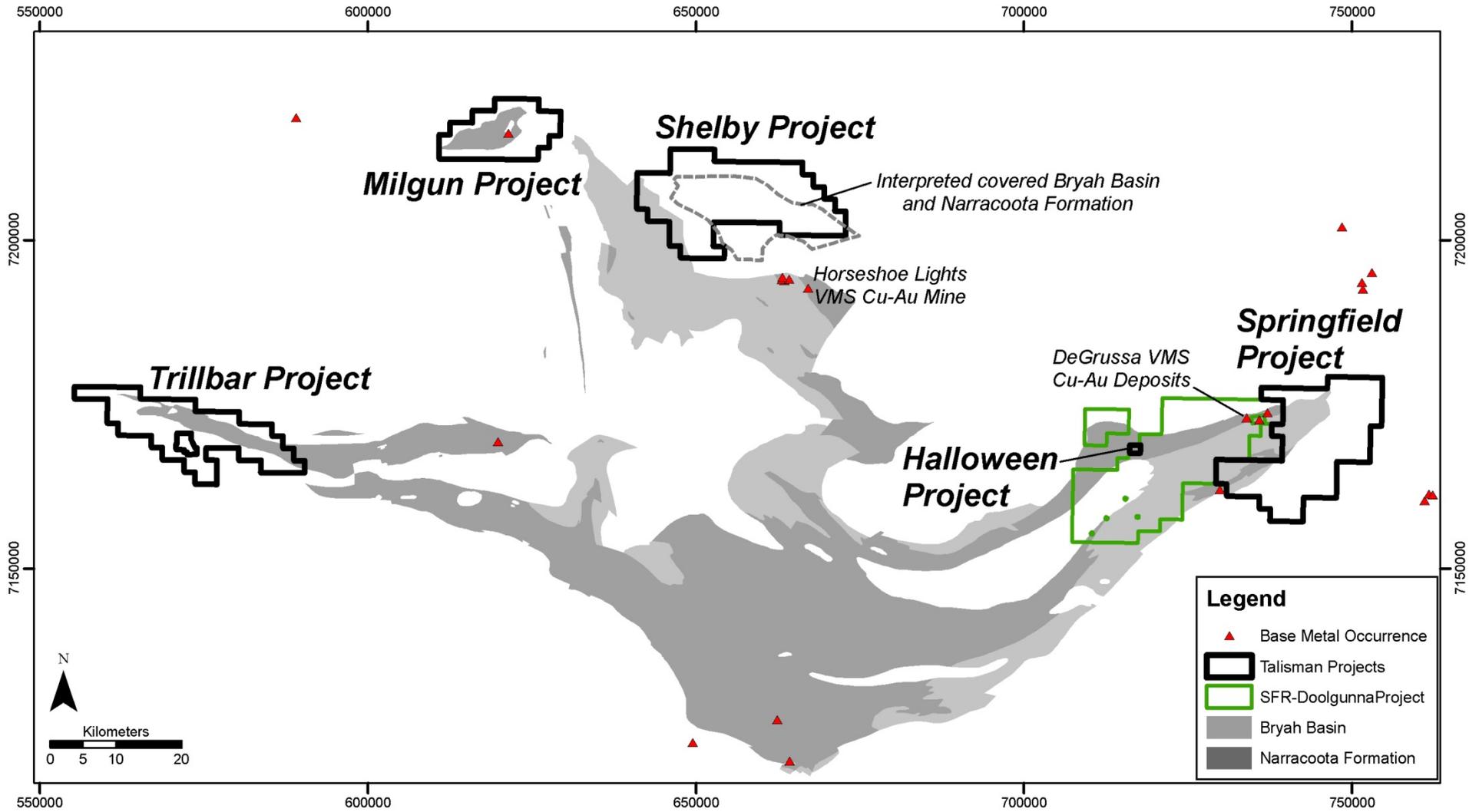


Figure 1 – Talisman Mining Ltd Bryah Basin Projects

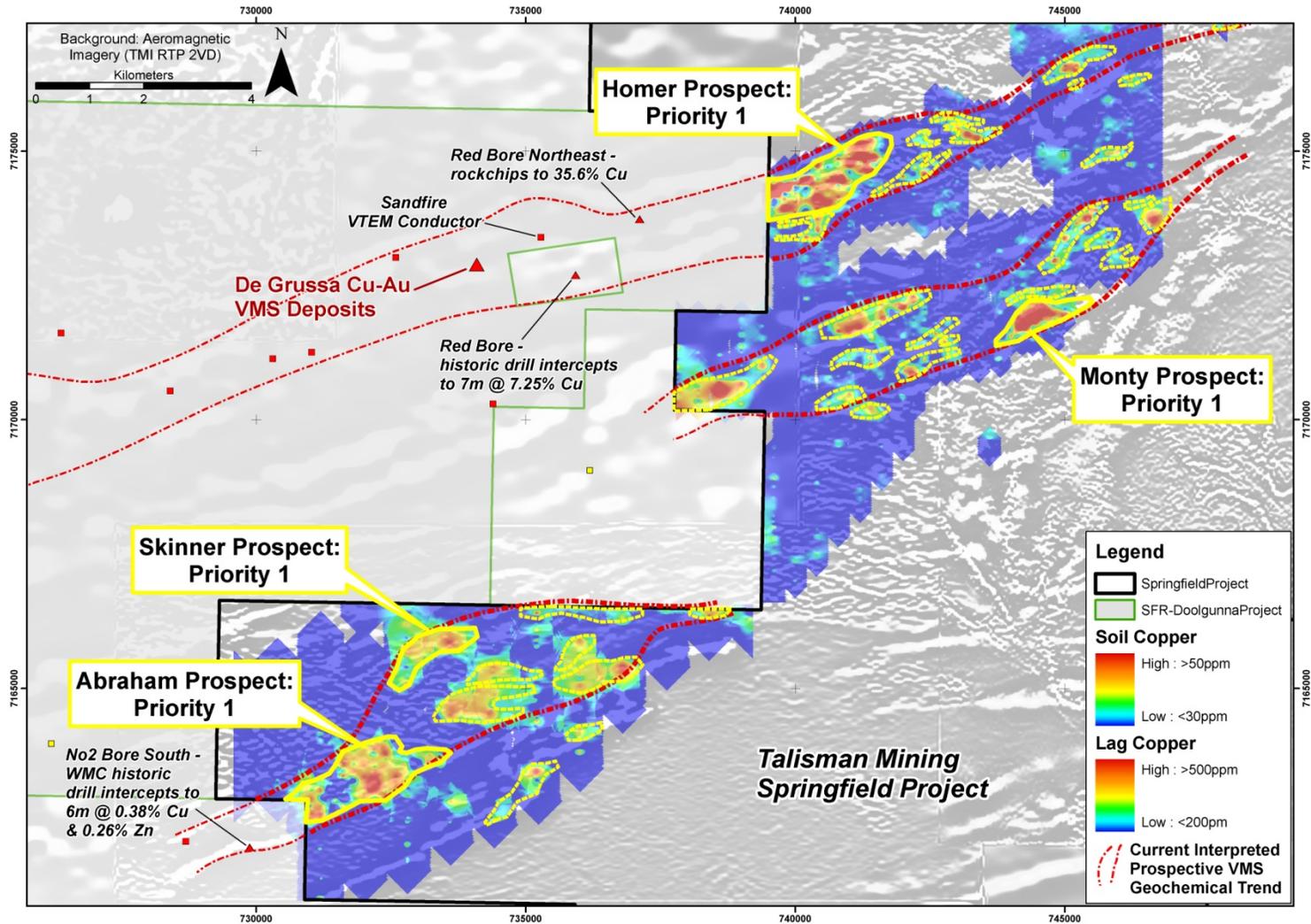


Figure 2 – Springfield Project Priority Exploration Targets

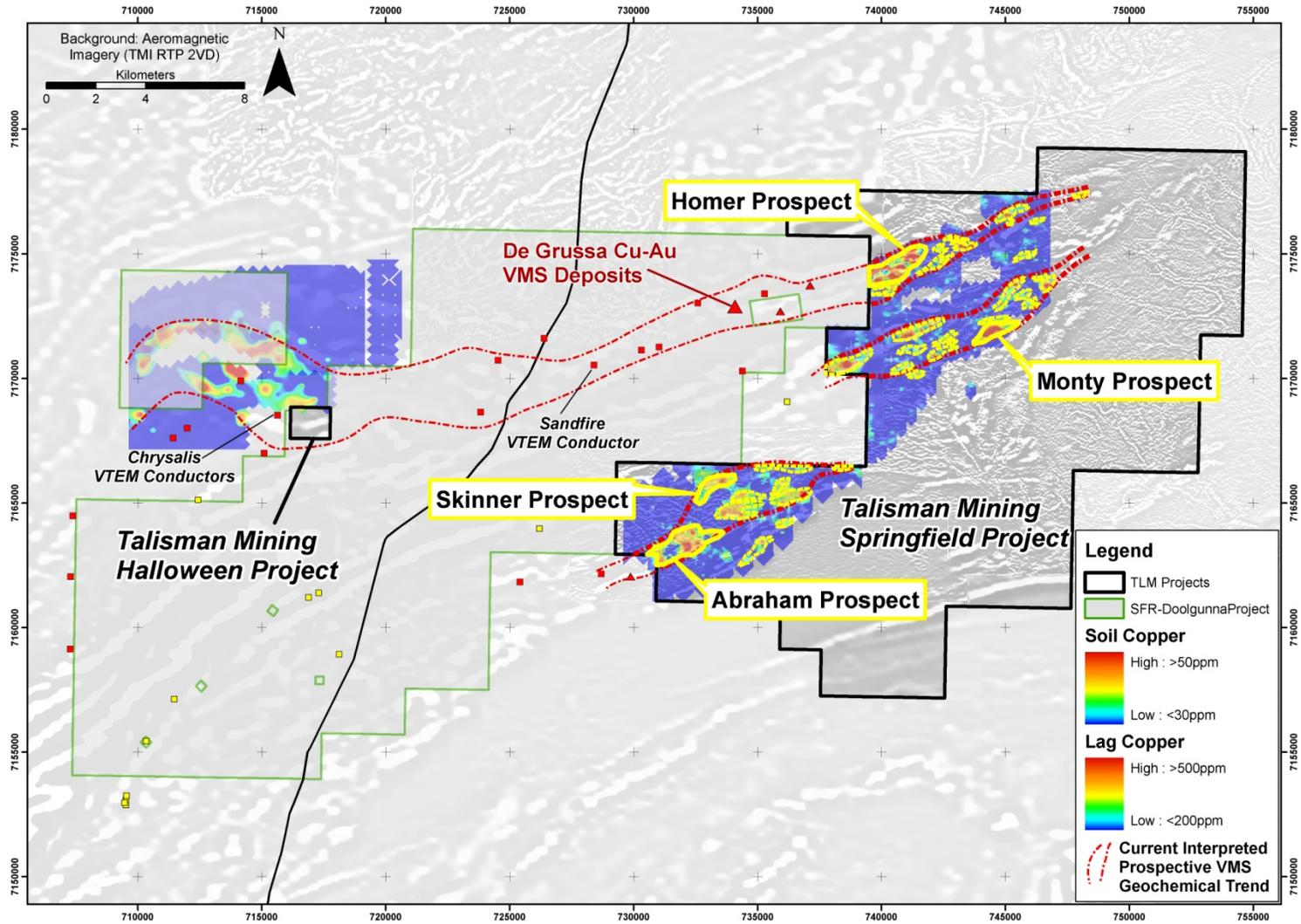


Figure 3 – Springfield & Halloween Projects Copper Geochemistry

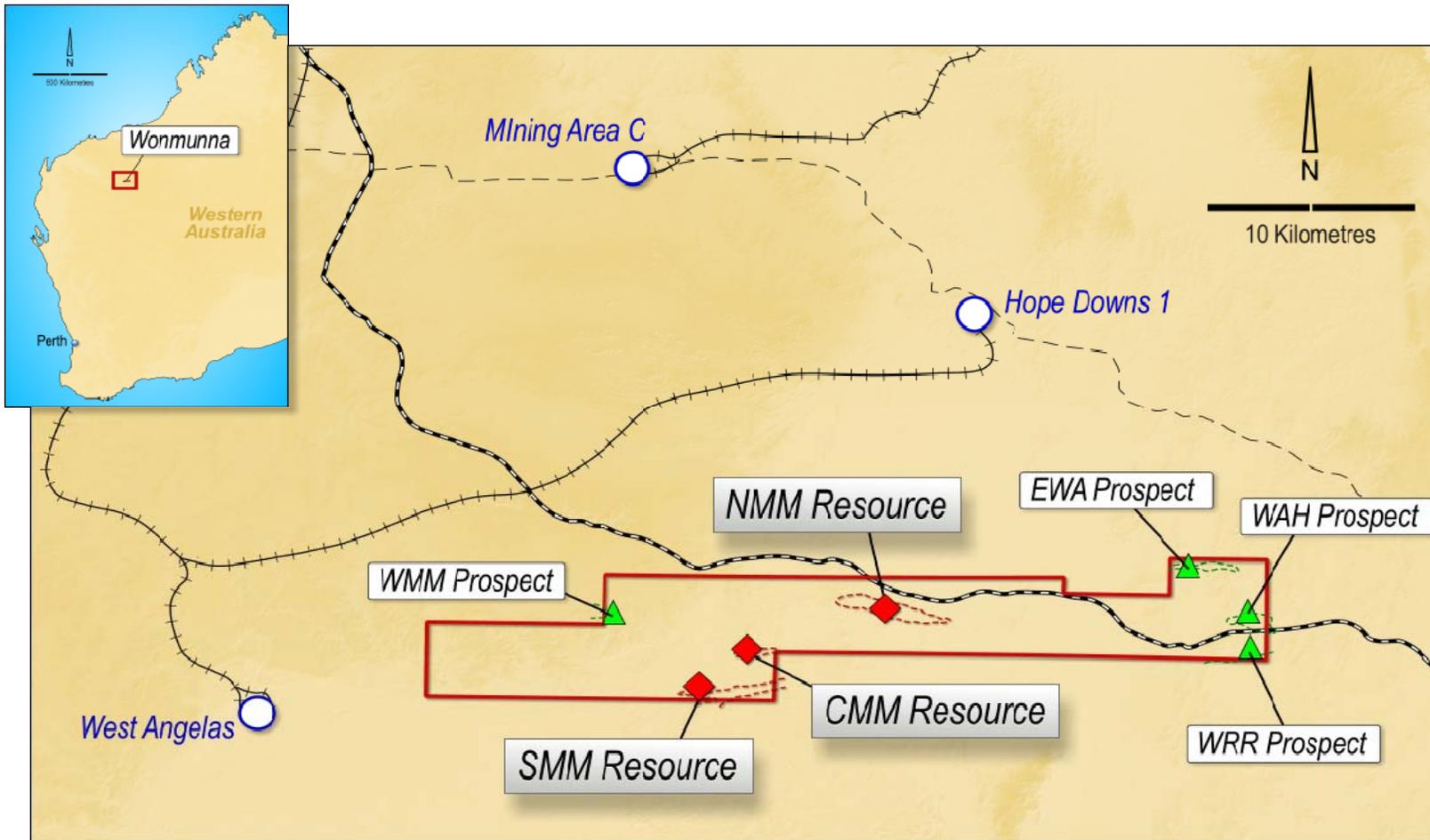


Figure (4) – Wonmunna Iron Ore Project Location Plan



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(438)	(738)
(b) development	-	-
(c) production	-	-
(d) administration	(380)	(699)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	76	149
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (Research and Development Tax Rebate)	-	-
Net Operating Cash Flows	(743)	(1,289)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(300)	(300)
(b) equity investments	-	-
(c) other fixed assets	(75)	(75)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	50	50
Net investing cash flows	(325)	(325)
1.13 Total operating and investing cash flows (carried forward)	(1,068)	(1,614)



1.13	Total operating and investing cash flows (brought forward)	(1,068)	(1,614)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	156	2,022
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(2)	(3)
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	(49)
Net financing cash flows		154	1,970
Net increase (decrease) in cash held		(914)	356
1.20	Cash at beginning of quarter/year to date	7,858	6,588
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,944	6,944

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	214
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration to director's and their associates.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A



2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Shaw River Resources Limited (SRR) made the following payments to establish the right to earn up to a 70% interest in Talisman's Wandanya, Yilgalong and Gangarrigan manganese projects:

- Up-front payment to Talisman of 1,000,000 Shaw River shares
- Up-front payment of \$50,000 in cash

(For further information refer to ASX release dated 13 October 2009: *Farm-Out Agreement with Shaw River Resources on Pilbara Manganese projects*)

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	-
Total	600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	579	816
5.2 Deposits at call	6,365	7,042
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,944	7,858

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
--------------------	-------------------------------	----------------------------------	----------------------------



6.1	Interests in mining tenements relinquished, reduced or lapsed	E69/2460	Application	100%	0%
6.2	Interests in mining tenements acquired or increased	P52/1421	Acquisition	0%	100%
		E52/2282	Granted	0%	100%
		E52/2313	Granted	0%	100%
		E52/2499	Granted	0%	100%
		E52/2500	Granted	0%	100%
		E52/2519	Application	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	93,911,397	93,911,397	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	779,027 129,870	779,027 129,870	\$0.20 \$0.77
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			



7.7	Options <i>(description and conversion factor)</i>			<u>Exercise price</u>	<u>Expiry date</u>
		23,873,230	23,873,230	\$0.20	31 Dec 2010
		2,222,000	-	\$0.25	31 Dec 2010
		1,400,000	-	\$1.20	31 Dec 2010
		1,500,000	-	\$1.00	30 Nov 2010
		1,500,000	-	\$1.20	30 Nov 2010
		1,000,000	-	\$1.60	30 Nov 2010
		1,000,000	-	\$2.20	30 Nov 2010
		500,000	-	\$1.00	31 May 2011
		500,000	-	\$1.20	31 May 2011
		500,000	-	\$1.60	31 May 2011
		500,000	-	\$2.20	31 May 2011
		4,000,000	-	\$0.22	31 Aug 2011
		2,250,000	-	\$0.50	30 June 2013
		1,500,000	-	\$0.60	30 June 2013
		2,250,000	-	\$0.70	30 June 2013
7.8	Issued during quarter				
7.9	Exercised during quarter	779,027	779,027	\$0.20	\$0.20
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Daniel Madden

Date: 28 January 2010

Company Secretary

Print name: Daniel Madden



Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==