

March 2012 Quarterly Activities Report

COMPANY SNAPSHOT

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Capital Structure

Shares on Issue:
131,538,627 (TLM)

Options on Issue:
15,150,000 (Unlisted)

ASX: TLM

HIGHLIGHTS - Bryah Basin Copper-Gold Projects

Springfield - A systematic and fully integrated exploration program has defined key controls on potential VMS mineralisation at the Springfield Cu-Au Project. This has resulted in 20 exploration drill target areas being identified

- 3D modeling and comprehensive integrated targeting phase completed with the development of a unique regional 3D geological model - 20 Tier-One targets identified
- Multiple conductors associated with DeGrussa stratigraphy identified from recent Fixed Loop Electromagnetic survey (FLEM). These will be drill tested as part of current targeted drilling program
- 11,000 metre targeted RC and Diamond drilling program underway
- Extensive soil sampling and geological mapping program completed at Abraham prospect to define follow-up drill targets

Halloween - Encouraging gold intercepts returned from maiden RC drilling program at the Halloween Project – Definition of follow-up drill targets underway

- Recently completed 2,158m RC drilling program returned broad gold intercepts including:
 - **HRC002 - 9m @ 3.8g/t Au from 84m including**
 - **4m @ 7.37g/t Au from 84m; and**
 - **1m @ 14g/t Au from 86m**
 - **HRC006 - 6m @ 1.52g/t Au from 18m including**
 - **2m @ 3.26g/t Au from 20m**
- Geochemical analysis identifies key mineral pathfinders that may indicate a VMS mineralizing environment
- Fixed loop electromagnetic survey completed to further define follow up drill targets with programs of work submitted for statutory approvals



HIGHLIGHTS (Continued)

Murchison Gold Projects

A systematic and fully integrated exploration approach has commenced at the Livingstone Project

- *Field camp established at Livingstone Project during the quarter*
 - *A detailed mapping and extensive soil sampling program has commenced – revised regional geological interpretation completed*
 - *Structural targeting exercise underway to define new drill targets*
 - *Program of Works (POW) submitted for statutory approvals in March, with drilling expected to commence during the June quarter*
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Bryah Basin Copper-Gold Projects

Springfield (TLM 100%)

The Springfield Project comprises a 303km² ground package located approximately 150km north-east of Meekatharra in the northern Murchison Goldfields region of Western Australia (**Appendix 1**). The Project is located immediately along strike to the east of Sandfire Resources' DeGrussa Copper-Gold Project, where total JORC Code-compliant mineral resources now stand at **14.33Mt @ 4.6% Cu and 1.6g/t Au*** contained in four deposits. Production is now underway at DeGrussa.

During the March quarter, Talisman embarked on a detailed and integrated review of its comprehensive and regionally unique datasets after the investment of \$13 million in extensive reconnaissance exploration activities in the past two years.

Talisman has now commenced a targeted drilling program at the Springfield Copper-Gold Project designed to test 20 newly identified copper-gold exploration targets (**Figure 1**).

The program will comprise approximately 11,000 metres of combined diamond and RC drilling, with scope to extend this further dependent upon geological information obtained in the field and ongoing assay results.

Targeting Process

Over the past three months, Talisman has undertaken a detailed and integrated review of the data to identify key stratigraphic horizons, primary structural controls and geochemical vectors to potential mineralisation.

This work has included:

- geological re-interpretation through re-logging of all drill holes, plus geochemical and geophysical characterisation of key host rock units;
- structural edge detection and the use of geophysical complexity filters to identify primary structural controls on mineralisation (pathway / focus); and
- identification of alteration indices and metal distribution, plus re-processing of electromagnetics to identify likely traps for accumulations of sulphide mineralisation.

* Per Sandfire Resources (ASX -SFR) December Quarterly Activities Report 25/01/12

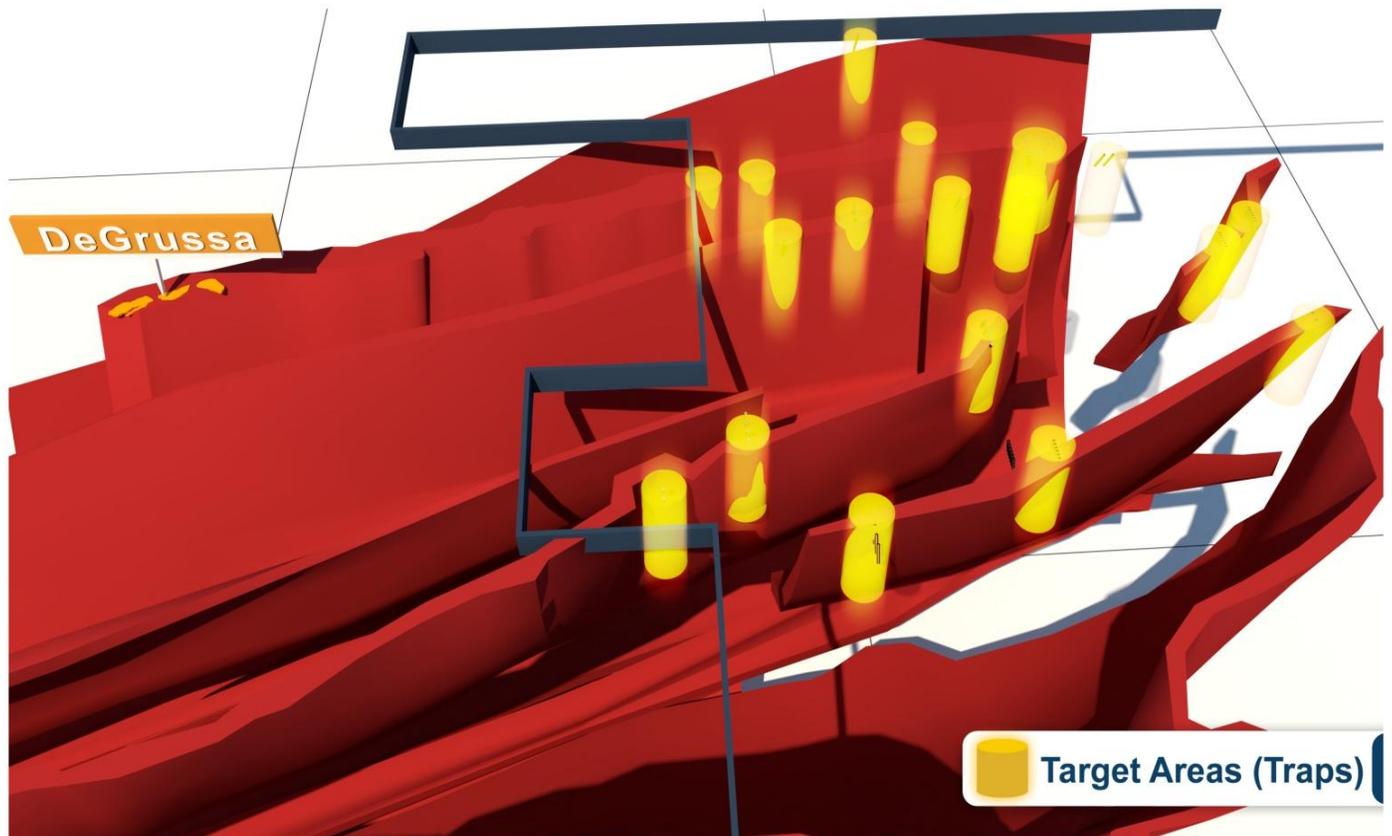


Figure 1 – 3D geological model of ore equivalent horizons at Springfield showing tier-one target areas (each target area contains one or more discrete targets)

This fully integrated methodology has led to the development of a 3D geological model for the Springfield Project identifying multiple areas that demonstrate a geological and structural setting similar to the DeGrussa Cu-Au mine, some of which are illustrated in **Figure 2**.

During the quarter, Talisman completed a 2km by 2km fixed loop electromagnetic survey (FLEM) over the eastern portion of the Homer Trend which better defined existing drill targets in this area, plus identified two additional late time conductors that will be drill tested.

Systematic drilling of 20 target areas commenced in April 2012 and the Company plans to undertake down-hole electromagnetic surveys at all holes.

Abraham Trend

The integrated structural and geological review across the Springfield Project has also led to an enhanced understanding of the southern portion of the Springfield Project, particularly the Abraham Trend.

The development of the 3D geological model has resulted in Talisman undertaking an extensive soil sampling program (~5,000 samples) during the quarter across the Abraham Trend in order to identify and refine areas of anomalous copper and gold soil geochemistry with a view to defining future drill targets. Soil sample assay results are pending.

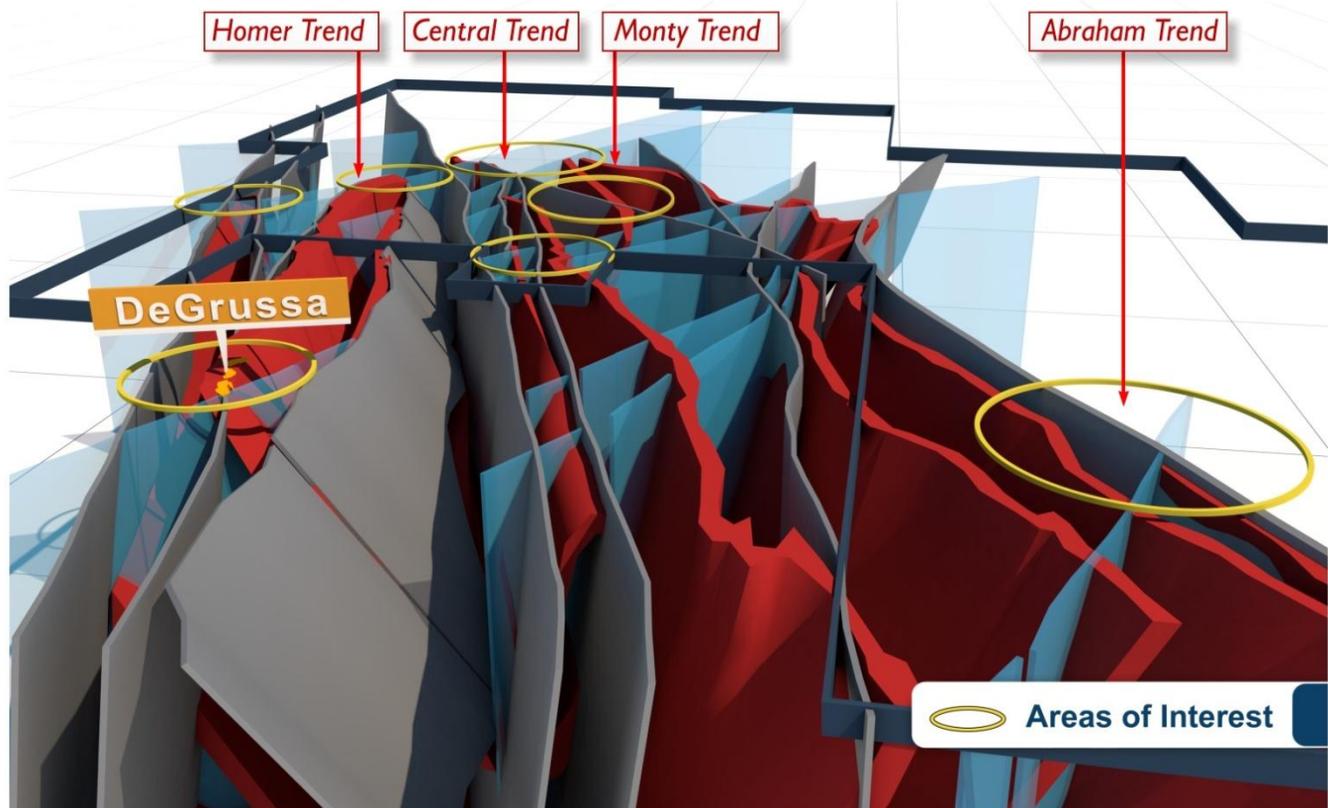


Figure 2 – 3D model looking East showing areas within the Springfield Project with a geological and structural setting similar to the DeGrussa Cu-Au mine

Halloween Copper-Gold Project (TLM 100%)

The Halloween Project is located 11.5km south-west of the high-grade DeGrussa VMS Copper-Gold Project in Western Australia, currently being developed by Sandfire Resources and 16.5km west of Talisman's flagship Springfield VMS Copper-Gold Project (see **Appendix 1**).

Previous surface sampling at the Halloween Project undertaken by the Company defined strong, widespread copper-gold anomalism across the project area. The Halloween area also has a history of shallow alluvial gold extraction by prospectors.

The maiden Reverse Circulation (RC) drilling program at Halloween was designed to test a series of coincident geological and copper-gold soil geochemical anomalies which were identified through detailed geological mapping and in-fill soil sampling.

The RC drill program was completed during the quarter with 16 holes drilled for a total of 2,158m on 4 broadly-spaced fences and represents the first definitive test of the Halloween Project.

Significant gold assay results have been returned from four holes (HRC001, HRC002, HRC006 and HRC015 – (**Figure 3**) along three wide-spaced drill traverses (**Figure 4**). All significant high-grade gold intersections in holes HRC001 and HRC002 have been re-analysed using fire assay analysis of the original one metre samples and while slight adjustments have been made, the fire assays confirm the grade and tenor of the original gold intercepts (**Table 1**).

The gold mineralisation appears to be related to strong silica-carbonate-epidote-pyrite alteration along a volcanic sedimentary horizon and adjacent basalt with up to 25% disseminated/stringer pyrite and trace chalcopyrite mineralisation.

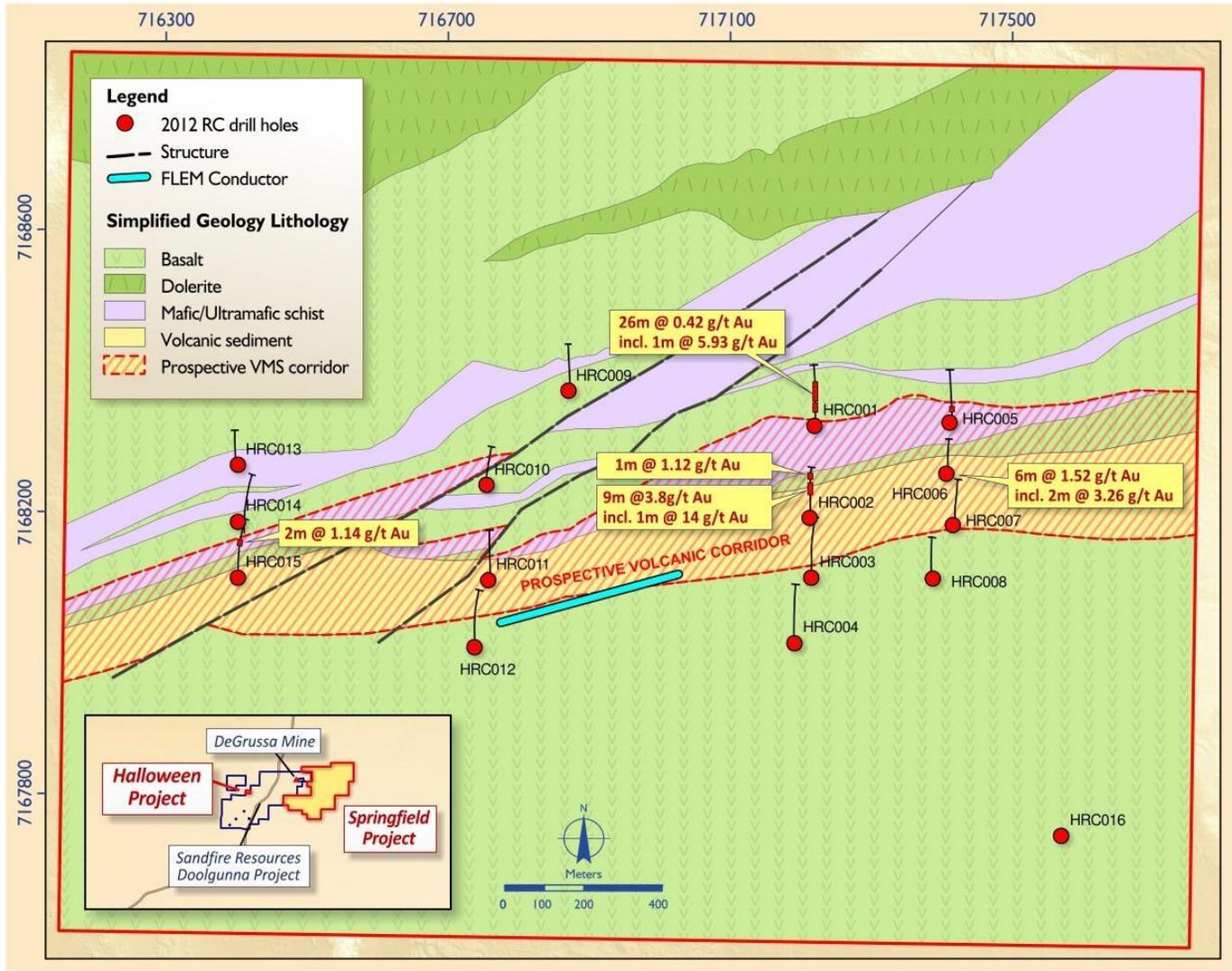


Figure 3 – Simplified Geological Plan with Drill Hole Locations Showing Significant Gold Intercepts

The host volcanics intersected in the drill holes also show pervasive magnetite development and strong manganese enrichment with elevated zinc-lead geochemistry. These are key pathfinders which are potentially indicative of a VMS-related exhalative mineralising system.

The gold drilling intersections across three of the four drill traverses, along with the important geochemical support, are very encouraging and demonstrate the VMS exploration potential at Halloween.

Talisman's advanced exploration experience in the Doolgunna region has indicated that detailed Fixed Loop Electromagnetic (FLEM) surveys over key exploration target areas may provide useful exploration targeting information.

Talisman has completed a detailed FLEM survey over the Halloween prospective volcanic corridor with the aim of defining follow-up conductive drill targets that might be related to massive copper-gold sulphides along strike and down dip from the better RC gold drill results.

Preliminary FLEM results indicate a late-time conductor sitting along the prospective volcano-sedimentary corridor in the centre of the project (**Figure 3**). A detailed FLEM survey is currently being conducted directly over the conductor to better define this target. Drilling is planned to commence later in the June Quarter to test this target and other prospective positions at Halloween.

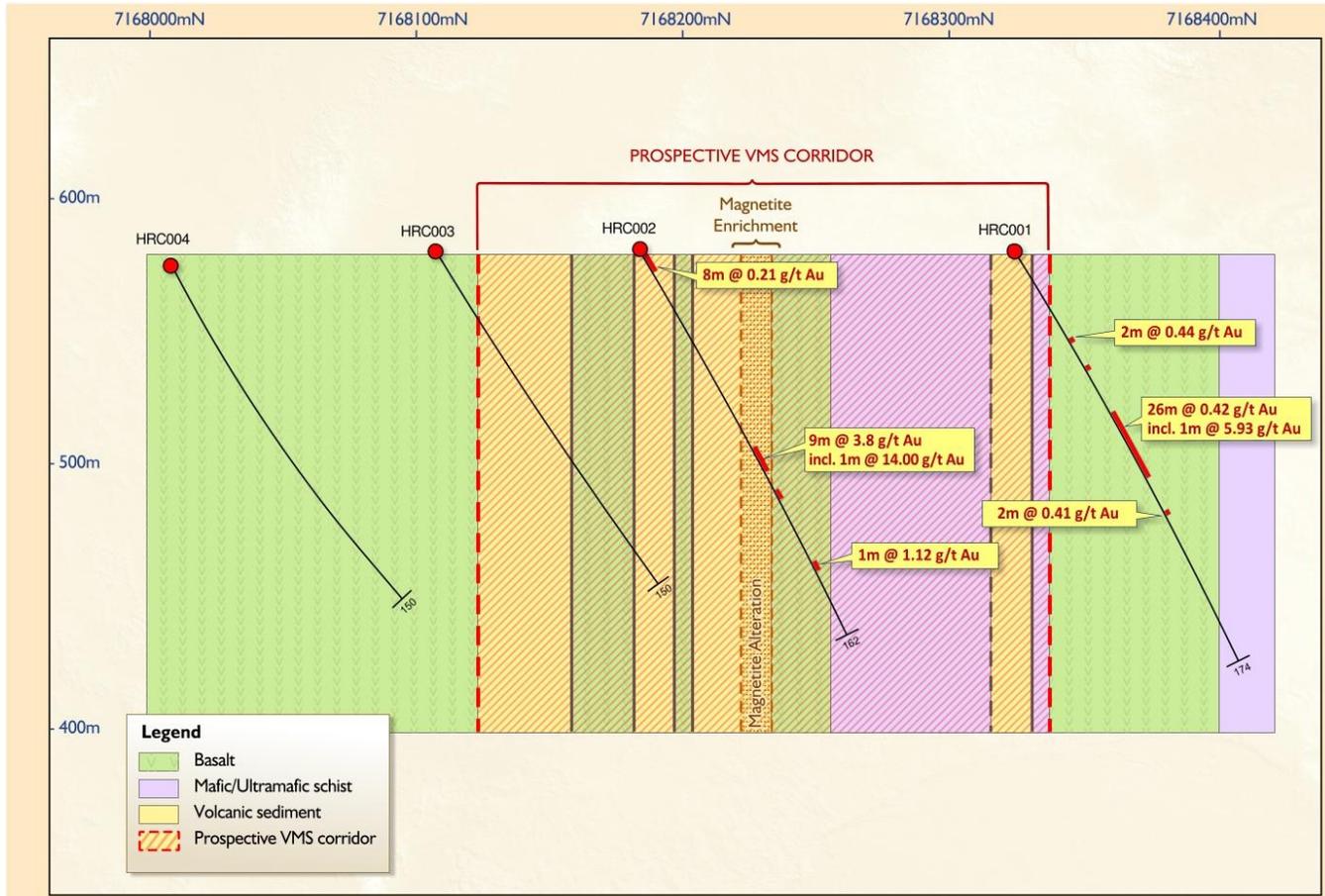


Figure 4 – Drill section 717200E looking west showing significant down hole gold intercepts and interpreted geology

Murchison Gold Projects

Livingstone Gold Project (TLM 80%)

The Livingstone Gold Project is located approximately 130km to the north-west of Meekatharra (**Appendix 1**) and consists of three Exploration Licences covering an area of 208 km².

The Project straddles the western extension of the highly prospective Bryah Basin at the northern margin of the Yilgarn Craton and a major shear zone traverses the entire project with widespread gold intercepts returned by historic percussion drilling programs over a strike length of more than 31km.

As part of Talisman’s ongoing strategy to develop a series of regionally significant, large-scale stand-alone gold projects, a systematic and fully integrated exploration approach has commenced at the Livingstone Project with several targets already identified.

During the March quarter, Talisman established a field camp at Livingstone and commenced a detailed mapping and extensive soil sampling program resulting in a revised regional geological interpretation (**Figure 5**). Over 2,000 soil samples have been collected to date, covering the Stanlee and Fandral Prospects with an additional 4,000 samples to be taken at the Hilltop, VHF and Kerba Prospects during the June Quarter.



Following a detailed review of existing data and new geological interpretation, a program of works (POW) has been submitted during the quarter for approximately 8,000m of aircore drilling across the Stanlee, Homestead and VHF prospects with drilling planned to commence in May following Heritage Clearance surveys and statutory approvals.

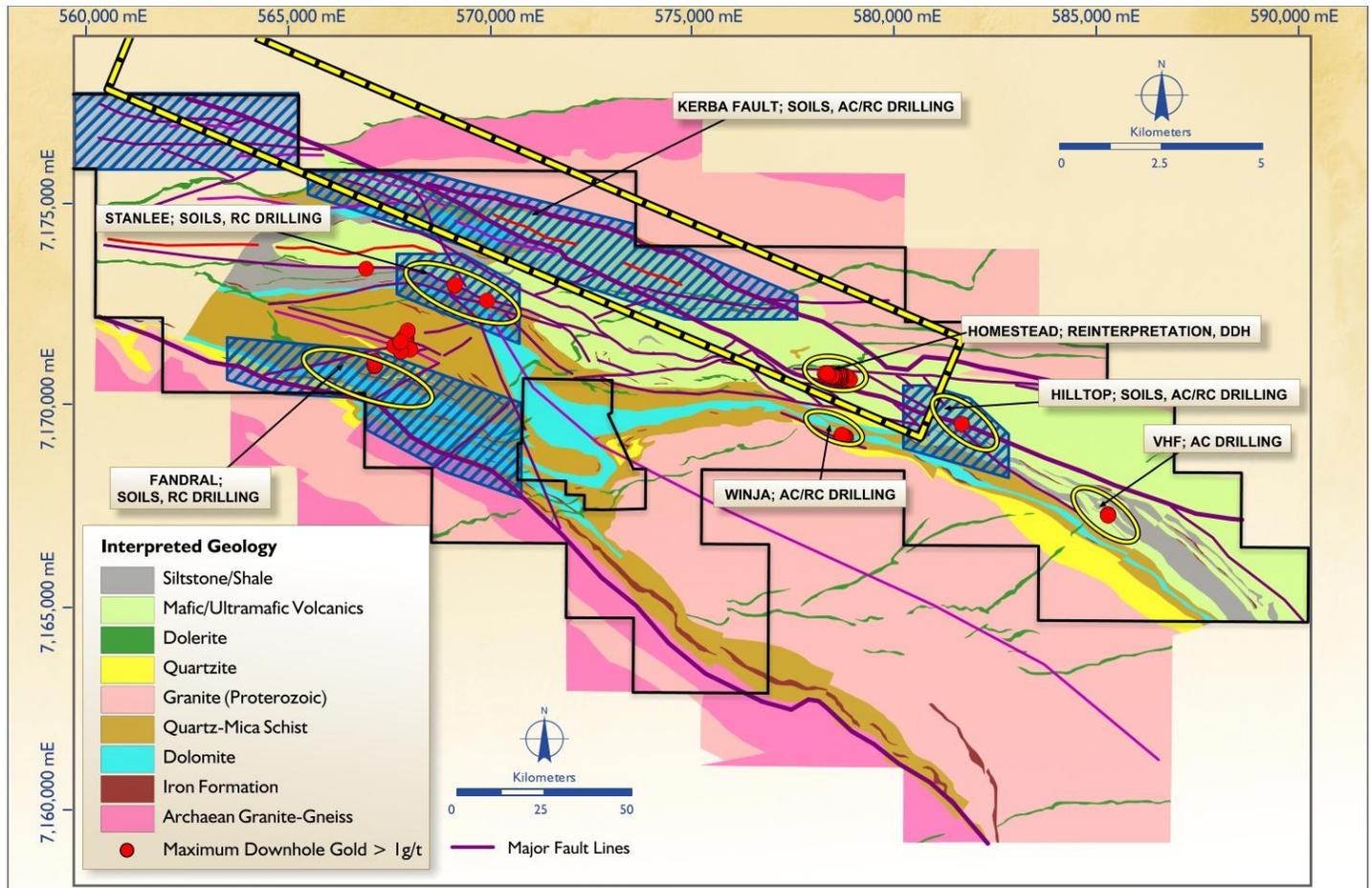


Figure 5 – Livingstone Gold Project areas of completed and upcoming activities

Muddawerrie Gold Project (TLM 80%)

The Muddawerrie Project is located approximately 100km north-west of Meekatharra in the Murchison Region of Western Australia (**Appendix 1**). The granted Exploration Licence covers an area of approximately 52 km² and comprises over 16km of prospective Archaean greenstone belt with significant potential to host high-grade, banded iron formation (BIF) and mafic-hosted shear zone gold deposits, similar to those at Mt Magnet and Meekatharra.

The Muddawerrie Project comprises two mineralised trends, Mt Maitland and Muddawerrie, which extend for 6km along the western and eastern sides of the project area respectively. Both trends are characterised by highly anomalous gold geochemistry in highly sheared mafic volcanic rocks coincident with a number of old gold workings

Follow-up exploration activities for 2012 are likely to include geological mapping, infill soil sampling and structural interpretation of magnetic and geology data, with RC drill testing of the highest-ranked gold targets



Shelby Project (TLM 100%)

The 1,816 km² Shelby Project is located along the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (**Appendix 1**).

On the basis of its geological setting, the Shelby project has been identified by Talisman as having potential to host large Iron Oxide-Copper-Gold (IOCG) deposits (e.g. Olympic Dam, Prominent Hill) and/or a Voisey's Bay-style mafic-ultramafic intrusive hosted nickel-copper-PGE sulphide deposit.

In May 2011, Talisman completed an initial 1,452m-deep diamond hole (SHD001A) co-funded as part of the WA State Government Exploration Incentive Scheme (EIS) and designed to test a large magnetic body identified by a detailed airborne magnetic survey (**Figure 6**).

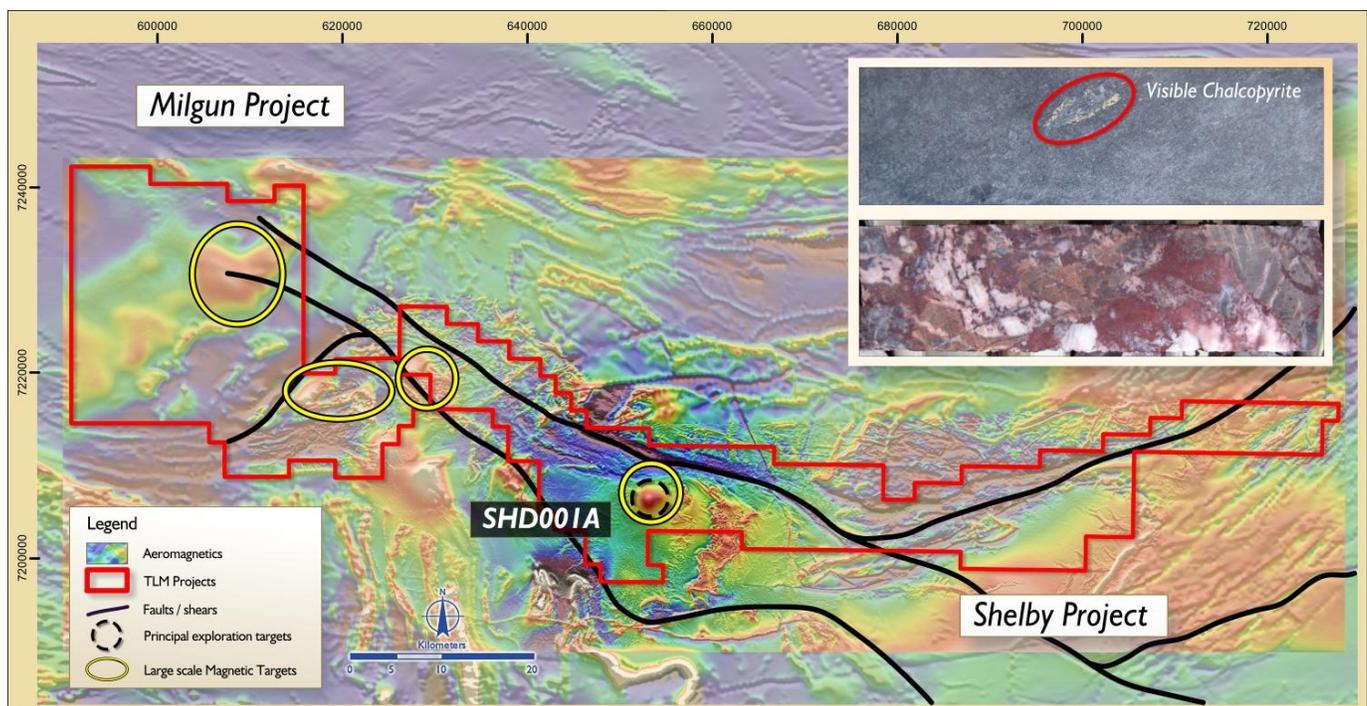


Figure 6 – Shelby Project revised Gravity Image

The mafic-ultramafic rocks and strong magnetite-amphibole-chlorite alteration intersected by SHD001A demonstrated encouraging evidence that Shelby could host a large iron oxide-copper-gold mineralising system. Furthermore, metal deposition is evident in SHD001A with chalcopyrite mineralisation (to a maximum of 468ppm or 0.0468% Cu) and elevated gold (to 84ppb) in zones of stronger alteration.

A detailed infill gravity survey was completed during the December 2011 quarter over the Shelby magnetic anomaly and immediate environs to test for gravity anomalism that may be associated with dense iron oxide-copper-gold mineralisation. Approximately 1,141 stations were collected along 250m spaced lines and 200m station spacing.

The processed data was received during the quarter and highlights several discrete gravity anomalies worthy of follow-up. 3D modelling is planned to determine the attitude, depth and amplitude of these anomalies.



CORPORATE

At the end of the March Quarter, Talisman maintained a strong cash position of \$36M providing an excellent platform to continue the systematic exploration of its current stable of quality assets. With this funding capacity and proven ability to execute deals, Talisman also places itself in a position to take advantage of new growth opportunities and acquisitions in the region that will compliment an evolving pipeline of quality projects.

Ends

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Competent Persons' Statement

Information in this ASX release that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Graeme Cameron, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Graeme Cameron is a full time employee of Talisman Mining 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 Graeme Cameron consents to the inclusion in this report of the matters based on information in the form and context in which it appear.



Appendix 1 – Talisman Mining Ltd Project locations

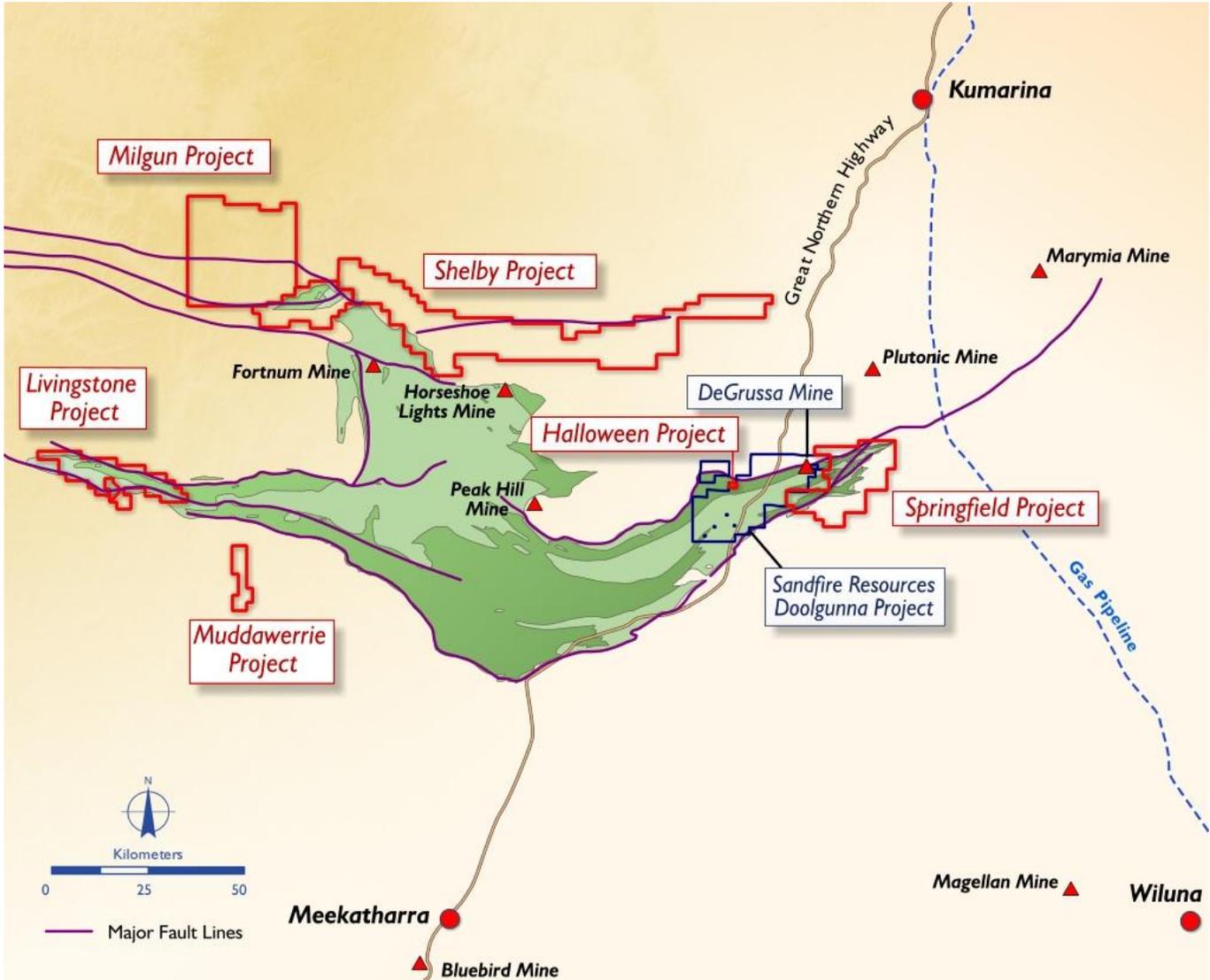




Table 1 – Significant gold intercepts from maiden RC drilling program

Hole ID	East	North	From (m)	To (m)	Down hole Width (m)	Au (g/t)	Intercept Description	
HRC001	717220	7168324	37	39	2	0.44	2m@0.44 g/t Au	
			50	53	3	0.18	3m@0.18 g/t Au	
			71	97	26	0.42	26m@0.42 g/t Au	
			<i>Including:</i>	71	72	1	5.93	1m@5.93 g/t Au
			<i>Also including:</i>	99	100	1	0.17	1m@0.17 g/t Au
				111	113	2	0.41	2m@0.41 g/t Au
HRC002	717212	7168184	0	8	8	0.21	8m@0.21 g/t Au	
			78	79	1	0.13	1m@0.13 g/t Au	
			84	93	9	3.8	9m@3.8 g/t Au	
			<i>Including:</i>	84	88	4	7.37	4m@7.37 g/t Au
			<i>Also including:</i>	86	87	1	14	1m@14 g/t Au
				102	105	3	0.17	3m@0.17 g/t Au
				134	135	1	1.12	1m@1.12 g/t Au
				135	136	1	0.23	1m@0.23 g/t Au
HRC006	717407	7168244	18	24	6	1.52	6m@1.52 g/t Au*	
			<i>Including</i>	20	22	2	3.26	2m@3.26 g/t Au*
HRC015	716401	7168107	80	82	2	0.11	2m@0.11 g/t Au*	
				82	84	2	1.14	2m@1.14 g/t Au*

**2m Composite Samples*