



12 January 2018

Monty Development Update

Highlights

Monty Mine Development

- Monty decline at end of December 2017 advanced to 346 metres compared to a budget of 286 metres.
- Bulk earthworks and civils substantially completed under budget, surface infrastructure progressing on time and under budget.
- Realised and forecast savings in pre-production capital of A\$8M (100% basis) resulting in an estimated A\$2.4M reduction in Talisman's share of pre-production capital.
- Joint Venture budget approved for period ending 30 June 2018 and forecast to 31 December 2018.
- First ore remains scheduled to be delivered in 4Q CY2018.

Monty Finance

- First drawdown of US\$8M from the US\$20M PFF with Taurus Mining Finance Fund covered Talisman's share of development expenditure to 31 December 2017.
- Second drawdown of US\$3.5M for period 1 January 2018 to 31 March 2018 received.
- Carried forward tax losses as at 30 June 2017 of A\$44M are anticipated to be fully available for offset against forecast Monty life-of-mine profits.



Figure 1: Monty Project: charging of the decline face, December 2017





Overview

The Monty Copper-Gold deposit in Western Australia (**Monty**) forms part of Talisman's Springfield Project (**Joint Venture**) with Sandfire Resources NL (**Sandfire**) in which Talisman holds a 30% interest. Monty is located approximately 900km north of Perth and 10km east of Sandfire's DeGrussa copper-gold mine (**DeGrussa**) within the highly prospective Bryah Basin in the Gascoyne Region of Western Australia.

Monty is one of the highest grade copper-gold discoveries made globally in recent decades. The proximity of the deposit to Sandfire's DeGrussa plant provides an expedited and low risk pathway to production with an extremely low development capital intensity compared to other greenfield copper discoveries globally. The Ore Sales Agreement between Talisman and Sandfire for the sale of Talisman's share of ore from Monty to Sandfire provides Talisman with appropriate cost sharing whilst removing exposure to processing and marketing risk underpinning the highly attractive forecast financial returns for Monty.

The Monty Feasibility Study details forecast total production of 74.4kt of contained copper (plus 38.4koz contained gold and 413.4koz contained silver) over an initial ore production life of 30 months.

Monty Development Update

Since the commencement of ground-breaking activities at Monty in July 2017, site activities have ramped-up considerably and significant progress has been achieved (*Figure 2*). Infrastructure works completed include:

- Bulk Earthworks and Civils:
 - *Boxcut*;
 - *Monty to DeGrussa haul road*;
 - *Monty to DeGrussa water pipeline*; and
 - *Site Infrastructure* – central facilities and common fill placement for access roads and ponds and pond lining.
- Surface Infrastructure and Equipment:
 - *Raw water storage tanks*; and
 - *Electrical reticulation*.
- Underground Mine Development:
 - *Mine Portal* (*Figure 3*);
 - *Installation of temporary utilities*; and
 - *Ventilation Shaft* – Blind sink to approximately 40m (*Figure 4*).





Figure 2: Monty Project: surface infrastructure layout and progress, December 2017



Figure 3: Monty Project: completed mine portal, December 2017



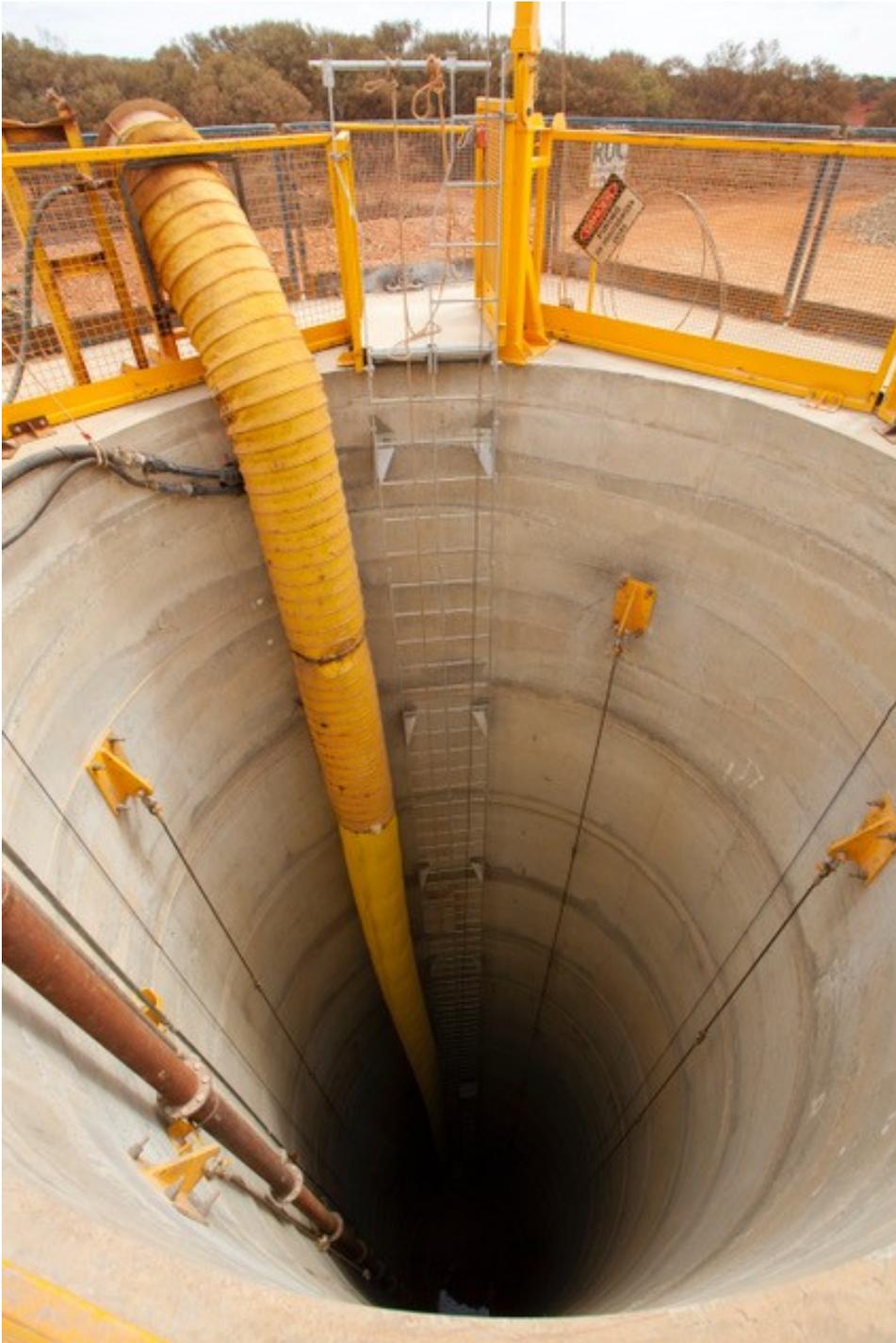


Figure 4: Monty Project: ventilation shaft, December 2017

The underground mining contractor, Byrnescut Australia Pty Ltd, continues to make good progress on Monty development (*Figure 5 and Figure 6*). As at the end of December 2017, the decline had advanced to 346 metres which was ahead of schedule compared to the corresponding feasibility study budget of 286 metres. Total development advance (including the decline) was 550 metres compared to the corresponding feasibility study budget of 440 metres. First ore production remains on schedule for early Q4 CY 2018.





Figure 5: Monty Project: Talisman and Sandfire inspecting the return ventilation decline face, December 2017



Figure 6: Monty Project: charging of the decline face, December 2017





Other development works continue to be advanced on schedule and under or on budget including, site office buildings (*Figure 7*), power station installation and reticulation (including HV switchgear), fuel storage facility, installation of site communications (including fibre optic cable connection to DeGrussa), ore haulage contracts and installation of permanent underground ventilation.

The construction of Monty is managed by the Sandfire Projects group which allows the Joint Venture to leverage from existing DeGrussa operations and a number of existing infrastructure and/or services already established at DeGrussa will continue to be utilised to provide synergies to the Joint Venture.



Figure 7: Monty Project: site office construction, December 2017

The Joint Venture has recently approved a budget for the period ending 30 June 2018 and a forecast to 31 December 2018 which covers both remaining pre-production capital costs for the development of Monty and the first quarter of production activities.

As a result of this recently approved budget, approximately A\$8M (100% basis) of capital cost savings have been realised or identified compared to the feasibility study. Talisman's share of this reduction in pre-production capital is estimated at A\$2.4M. Pre-production capital is defined as all costs incurred prior to the scheduled commencement of first ore production. Sustaining capital is defined as the life-of-mine capital required to sustain the operation after the commencement of first ore production. A breakdown of the savings identified in the recently approved budget compared to the feasibility study is provided in Table 1.

Capital item	New BUDGET 100% basis (A\$M)	New BUDGET Talisman's share - 30% basis (A\$M)	FEASIBILITY STUDY ¹ Talisman's share - 30% basis (A\$M)
Surface infrastructure	25.8	7.7	9.9
Underground mine development	31.9	9.5	9.5
Underground mine infrastructure	7.2	2.2	2.4
Total pre-production capital	64.9	19.4	21.8
Sustaining capital	19.4	5.8	5.5
Closure costs	3.3	1.0	1.0
Total capital cost	87.6	26.2	28.3

Table 1: Monty total capital cost estimate

The key operating and financial outcomes of the feasibility study highlight the quality of the Monty deposit and the strong expected financial returns from its development positions Talisman well for potential upside as the project moves towards first production in the current calendar year¹. Should

¹ Please refer to TLM ASX announcement: "Monty Feasibility Study Results", dated 6 April 2017 for a description of the financial parameters & summary of key Monty Feasibility Study financial return outcomes.





Monty outperform on the feasibility study estimates for capital costs, operating costs, ore grade or volume then Talisman is well positioned to fully share in the benefits for its 30% interest.

Economic evaluation and Monty Project Financing Facility (PFF)

As previously announced (refer TLM ASX announcement "Monty Financing Finalised, dated 30 October 2017) Talisman has secured a project debt Facility Agreement with Taurus for US\$20 million to fund 100% of Talisman's share of Monty pre-production capital.

The funding notice for the first drawdown payment of US\$8 million under the PFF was submitted to Taurus in November 2017 to cover Talisman's share of development expenditure to 31 December 2017.

A second drawdown of US\$3.5M for the period 1 January to 31 March 2018 based on the recently approved budget has been received.

The Talisman Group (Group) has carried forward tax losses as at 30 June 2017 of AU\$44M. These losses are expected to be fully available to be offset against future taxable income of the Group including future returns from Monty.

Based on the key financial parameters and forecast returns from the Feasibility Study on a Talisman attributable basis (adjusted for A\$2.4M of pre-production capital savings identified in the approved budgeted) inclusive of estimated financing costs and utilisation of tax losses as at 30 June 2017, Monty is forecast to yield more than A\$50M in forecast post-tax free cash flow (30% basis).

Whilst the PFF does not require any forecast production volumes to be hedged by Talisman, the Company continues to regularly assess the appropriateness of undertaking commodity price hedging over select forecast production volumes.

Additionally, as the PFF is in United States dollars, the Company continues to give consideration to the appropriateness of undertaking currency hedging for selected portions of forecast Monty pre-production cash calls and subsequent interest and principal repayments under the Facility Agreement.

Ends

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About Talisman Mining

Talisman Mining Limited (ASX:TLM) is an Australian mineral development and exploration company. The Company's aim is to maximise shareholder value through exploration, discovery and development of complementary opportunities in base and precious metals.

Talisman holds a 30% interest in the Springfield Joint Venture with Sandfire Resources NL (70% and JV manager). Springfield is located in a proven VMS province in Western Australia's Bryah Basin and contains multiple prospective corridors and active exploration activities. Springfield hosts the high-grade Monty copper-gold deposit which is located 10 kilometres from Sandfire's DeGrussa operations. Monty is one of the highest-grade copper-gold discoveries made globally in recent decades and a Feasibility Study on its development was completed in March 2017. The Feasibility Study highlighted the strong technical and financial viability of Monty. The Monty deposit is currently under development and Talisman has secured project debt financing for 100% of its share of pre-production capital costs.

Talisman also holds 100% of the Sinclair Nickel Project located in the world-class Agnew-Wiluna greenstone belt in WA's north-eastern Goldfields. The Sinclair nickel deposit, developed and commissioned in 2008 and operated successfully before being placed on care and maintenance in August 2013, produced approximately 38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% nickel. Sinclair has extensive infrastructure and includes a substantial 290km² tenement package covering more than 80km of strike in prospective ultramafic contact within a 35km radius of existing processing plant and infrastructure.

Talisman has also secured tenements in the Cobar/Mineral Hill region in Central NSW through the grant of 100% owned Exploration Licenses and through separate earn-in Joint Venture and tenement purchase agreements. The Cobar/Mineral Hill region is a richly mineralised district that hosts several base and precious metal mines including the CSA, Tritton, and Hera/Nymagee mines. This region contains highly prospective geology that has produced many long-life, high-grade mineral discoveries. Talisman has identified a number of areas within its own and Joint Venture tenements that show evidence of base and precious metals endowment which have had very little modern systematic exploration completed to date. Talisman believes there is significant potential for the discovery of substantial base metals and gold mineralisation within this land package.

Forward-Looking Statements

This ASX release may include forward-looking statements. These forward-looking statements are not historical facts but rather are based on Talisman Mining Ltd.'s current expectations, estimates and assumptions about the industry in which Talisman Mining Ltd operates, and beliefs and assumptions regarding Talisman Mining Ltd.'s future performance. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "potential" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are only predictions and are not guaranteed, and they are subject to known and unknown risks, uncertainties and assumptions, some of which are outside the control of Talisman Mining Ltd. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Actual values, results or events may be materially different to those expressed or implied in this presentation. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Talisman Mining Ltd does not undertake any obligation to update or revise any information or any of the forward looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based.

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

