



27 September 2019

Agreement to Divest the Sinclair Nickel Project

Highlights

- Binding agreement to divest the Sinclair Nickel Project to Saracen Mineral Holdings (ASX: SAR) for consideration of \$10 million cash and a 2% Net Smelter Return royalty applicable to all future metal production from Sinclair and all future non-precious metal production from Saracen's Waterloo Nickel Project.
- The Transaction provides immediate value to Talisman and removes current holding costs (excluding discretionary exploration expenses) of approximately \$2 million per annum.
- Sinclair infrastructure will be available to support Saracen's nearby Thunderbox Gold Operations, located 25km northeast of Sinclair.
- After exploring potential "production restart" scenarios and a range of options with various parties, the Board is confident the Transaction with Saracen is in the best interests of Talisman shareholders with immediate, certain value through the \$10 million cash payment and potential future value through the 2% NSR royalties.
- Upon completion of the Transaction, Talisman will have available cash resources of approximately \$18 million (equating to \$0.096 per share) to focus on its expanding exploration activities at the Lachlan Copper-Gold Project and Lucknow Gold Project in NSW and new project assessments.

Talisman Mining Ltd (ASX: **TLM**; **Talisman** or **the Company**) advises it has entered into a binding share sale agreement (**SSA**) to divest its Sinclair Nickel Project in Western Australia (**Sinclair**) to Saracen Nickel Pty Ltd, a wholly owned subsidiary of Saracen Mineral Holdings Ltd (ASX: **SAR**; **Saracen**) (the **Transaction**). The Transaction is to be implemented by way of a sale of all of the shares in Talisman Nickel Pty Ltd (**Talisman Nickel**).

Consideration for the Transaction is:

- \$10 million cash (on a cash free debt free basis, and subject to post-completion adjustments);
- a 2% Net Smelter Return (**NSR**) royalty for:
 - any future metal production from the Sinclair tenements; and
 - any future non-precious metal production from Saracen's Waterloo Nickel Project (**Waterloo**), which is currently on care and maintenance.





Completion of the Transaction remains subject to the following conditions precedent:

- the consent of Xstrata Nickel Australasia Operations Pty Limited, a subsidiary of Glencore International AG (**Glencore**); and
- the material infrastructure remaining at Sinclair at completion.

Completion is expected to occur prior to the end of October 2019. Talisman will receive the \$10 million cash proceeds upon completion.

By acquiring all of the shares in Talisman Nickel, Saracen will assume Talisman Nickel's obligation to make a conditional \$2 million deferred payment to Xstrata Nickel Australasia Operations Pty Ltd payable within six months should production of nickel products at Sinclair recommence by 4 February 2021, and Talisman Nickel's contingent environmental liability for Sinclair of \$9 million.

Sinclair is situated in the Agnew-Wiluna greenstone belt in WA's north-eastern Goldfields, approximately 80 kilometres west of Leonora and 25km southwest of Saracen's Thunderbox Gold Operations.

Talisman acquired the Sinclair assets from Glencore in October 2014. Since that time, the Company has conducted a series of targeted exploration programs designed at testing the potential for additional high-grade or near surface nickel deposits. While these activities have produced some encouraging drilling results in isolation, no additional nickel deposits have been identified.

In August 2018 Talisman calculated its maiden Indicated and Inferred Resource of 720,000t @ 2.3% Ni for 16,200t¹ of contained nickel from existing mine workings and extensional mineralisation at Sinclair. A possible production restart scenario based on accessing this mineralisation and any potential additional down-plunge mineralisation would require substantial capital for a number of reasons including:

- recommencement of mining operations necessitates a material amount of capital expenditure to dewater existing underground workings, rehabilitate decline access and re-establish mine services including power, water and air supply;
- further capital investment is required to verify the extensional exploration target¹ and convert the existing mineral resources into a mining inventory to appropriately de-risk the project before any restart; and
- additional capital is also required to refurbish and restart the processing plant and associated infrastructure.

Taking into account all the circumstances, including the future holding costs (approximately \$2 million per annum), future capital costs, and the risks associated with the restart of mining and processing at Sinclair, the Talisman board considers that the Transaction is in the best interest of Talisman shareholders.

¹ Refer to ASX announcement dated 31 August 2018 for full details of the Mineral Resource Estimate.





Under the terms of the Transaction, Talisman shareholders retain exposure to any potential future metal production from the Sinclair tenements through a 2% NSR royalty whilst avoiding the need for future funding of, and the risks associated with, any potential restart or holding costs.

Waterloo Nickel Project Royalty

In addition to the 2% NSR royalty regarding the Sinclair tenements, Talisman will also receive a 2% NSR royalty applicable to non-precious metal production from Saracen's Waterloo Nickel Project, located 5km from the Thunderbox Gold Operation and 25km from Sinclair. The Waterloo mine operated between 2005-2008 until it was placed on care and maintenance by Norilsk Nickel and subsequently acquired by Saracen.

Waterloo has an Inferred Mineral Resource of 680,000 tonnes grading 2.1% nickel for 14,000 tonnes of contained nickel². Talisman will receive a 2% NSR royalty from any future non-precious metal (including nickel) production from the Waterloo tenement (M36/473) should production be restarted.

Chairman's Comment

Commenting on the Transaction, Talisman Chairman Jeremy Kirkwood said:

"The sale of Sinclair continues Talisman's disciplined approach to capital allocation, including asset disposals and acquisitions. As evidenced by the sale of the Wonmunna iron ore asset in 2011, the development of and subsequent sale of the Monty copper-gold mine in 2018, the consequential return of capital and special dividend which flowed from the sale of Monty and now the sale of Sinclair after targeted exploration and subsequent economic evaluation, Talisman has applied a consistent, value-based framework to its key decisions. Consequently, Talisman has only raised additional equity capital once in the last three years and is now well funded to explore its significant prospective NSW tenure."

Management Comment

Commenting on the Transaction, Talisman Managing Director Dan Madden said:

"Following a number of approaches in relation to Sinclair, including by parties interested in Sinclair's nickel potential, Talisman explored a range of strategic options for the asset. The Saracen offer represents the best outcome for Talisman shareholders in terms of certainty of value through an upfront \$10 million cash payment and exposure to any potential future metal production from Sinclair and any potential future non-precious metal production from Saracen's Waterloo Nickel Project through the 2% NSR royalties."

The Transaction will also remove more than \$2 million in annual commitments relating to Sinclair plus a contingent environmental liability of \$9 million. Continuing to incur these and other costs prior to any potential future restart of operations, represents a significant financial impost for a company of Talisman's size. Through the Transaction, Talisman has removed these financial and other risks, while retaining exposure to any future nickel production scenario at Sinclair and Waterloo through the uncapped 2% NSR royalties."

² Refer to Saracen ASX announcement dated 1 August 2019 for full details of the Mineral Resource Estimate





Upon completion, Talisman will have approximately \$18 million in funding to support our increasing exploration activities at the Lachlan Copper-Gold Project and Lucknow Gold Project in NSW and our business development program which is targeting prospective exploration and advanced development gold and base metal assets in Australia or other low risk jurisdictions.”

Ends

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About Talisman Mining

Talisman Mining Limited (ASX:TLM) is an Australian mineral development and exploration company. The Company's objective is to maximise value to shareholders through exploration, discovery and development or commercialisation of high value mineral resource opportunities in base and precious metals within Australia.

Talisman has secured tenements in the Cobar/Mineral Hill region in Central NSW through the grant of its own Exploration Licenses and through separate farm-in 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 Lachlan Cu-Au Project 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 and is undertaking active exploration to test a number of these targets.

Talisman has also entered into a farm-in with privately-owned Lucknow Gold Limited in relation to the Lucknow Gold Project (EL6455) in New South Wales. The Lucknow Goldfield was discovered in 1851 and was one of the earliest goldfields to be mined commercially in Australia. Historic production records at the Project are incomplete, however in excess of 400,000 ounces of gold has reportedly been produced at grades of 100 to 200 g/t³. Very little modern exploration has been completed outside of the existing mine workings and Talisman intends to undertake a program of geochemical surface sampling and mapping at the Project ahead of a drilling program to test for potential down plunge extensions of the high-grade gold ore shoots and repeat structures throughout the Project area.

Competent Person's Statement

Information in this announcement that relates to Exploration Results and Exploration Targets is based on, and fairly represents information and supporting documentation compiled by Mr Anthony Greenaway, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Greenaway is a full-time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Greenaway has reviewed the contents of this announcement and consents to the inclusion in this announcement of all technical statements based on his information in the form and context in which they appear.

Talisman confirms that it is not aware of any new information or data that materially affects the information included in this announcement. In relation to any estimates of Mineral Resources or Ore Reserves included in, or referred to, in this announcement, all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. All information relating to exploration results has been previously released to the market and is appropriately referenced in this announcement. JORC tables are not considered necessary to accompany this announcement.

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.

³ NSW DIGS report, First Annual Exploration Report EL5770, 2001 - R00030162

