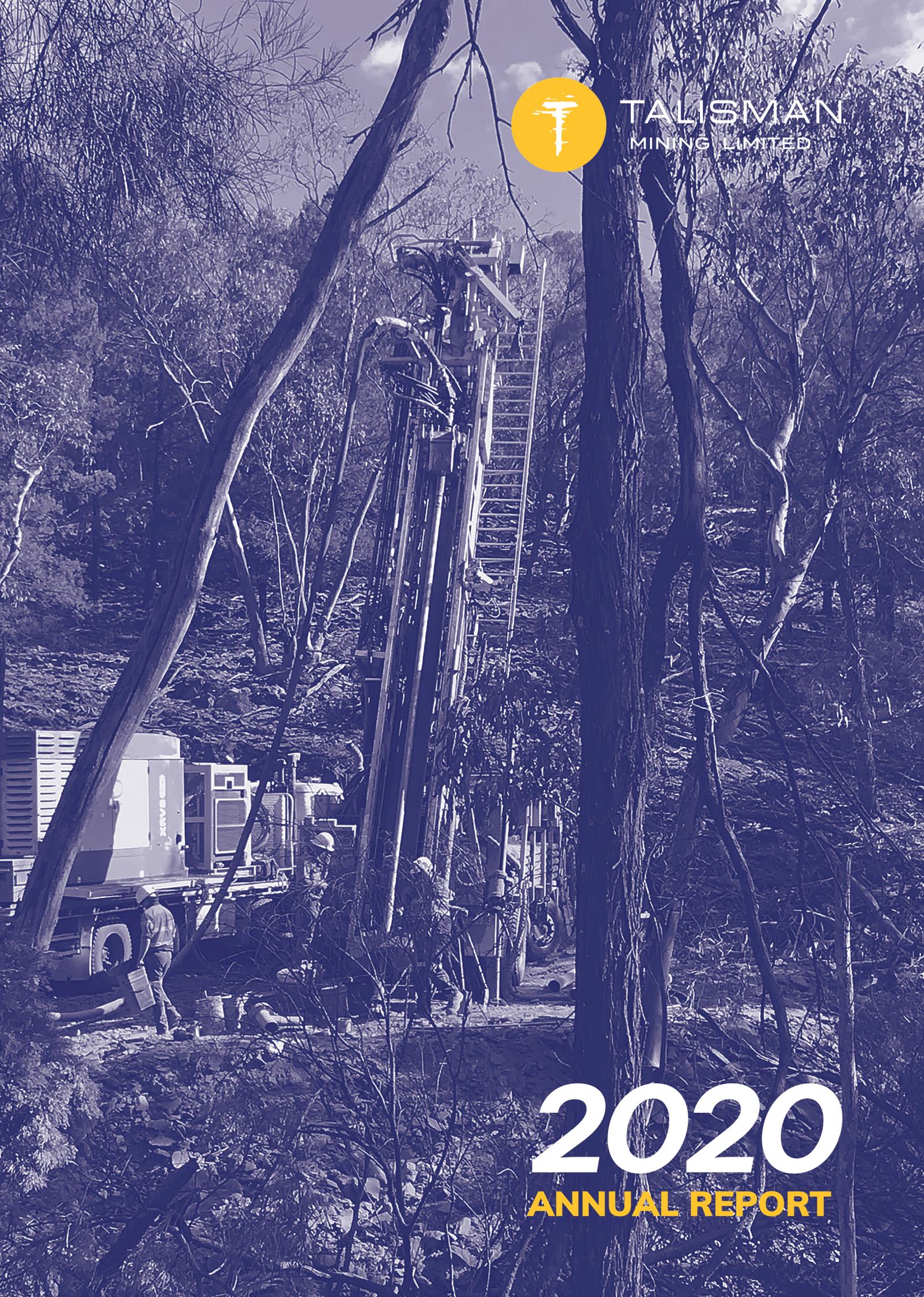




TALISMAN
MINING LIMITED



2020
ANNUAL REPORT



CORPORATE DIRECTORY

DIRECTORS

| | |
|---|---|
| Mr Kerry Harmanis | Non-Executive Chairman (appointed 15 July 2020) |
| Mr Daniel Madden | Non-Executive Director (resigned as Managing Director and appointed as Non-Executive Director 1 September 2020) |
| Mr Jeremy Kirkwood | Non-Executive Director |
| Mr Brian Dawes | Non-Executive Director |
| Ms Karen Gadsby | Non-Executive Director |
| Mr Peter Benjamin (Appointed 24 July 2019) | Non-Executive Director |

COMPANY SECRETARY

Mr Alex Neuling

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ASX Code: TLM



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LETTER FROM THE CHAIRMAN

Dear Talisman Shareholder,

It is my pleasure to address you for the first time as Talisman's Chairman, following my recent appointment to the board.

My involvement with Talisman as an investor dates back to 2008, just after I stepped down as Executive Chairman of Jubilee Mines following the \$3.1 billion acquisition of that company by Xstrata.

Since then, I have invested over \$18 million in Talisman and I am pleased to count myself as a significant shareholder and long-term supporter of the Company's journey over the past 12 years.

In more recent times, Talisman has undergone a significant transformation, initially with the \$72.3 million cash sale of the Company's interest in the Monty copper-gold project in Western Australia and, during the past financial year, the sale of our interest in the Sinclair nickel project for \$10 million plus associated trailing royalties.

These transactions allowed the Company to return a total of \$40.9 million in cash or 22 cents per share to shareholders through a \$29 million capital return, together with a special fully-franked dividend of \$11.8 million.

As a significant shareholder, I was very pleased to receive over \$6 million as a result of these capital management initiatives thanks to the good efforts of the board and management team. At the same time, this allowed Talisman to be repositioned as a strongly cash-backed exploration company with a potentially valuable royalty portfolio.

As such, I believe Talisman is well placed to participate in what is currently a buoyant market for junior exploration companies, especially in the gold sector.

During the past financial year, the Company has been pursuing exploration within its Lachlan Copper-Gold Project in NSW and, more recently, the Lucknow Gold Project in NSW, where we recently completed a diamond drilling program.

While both of these projects have merit and present opportunities to discover high-grade copper and gold mineralisation, they are assets that will require a longer time horizon in terms of value realisation and generating shareholder returns.

In light of this, Talisman has embarked on a search for new growth opportunities in the gold and base metals sector.

Australia remains hugely prospective from a geological perspective and is one of the best places in the world to find, develop and operate high-quality resource assets. I personally have enjoyed considerable success over the years working in the WA resource sector, which is a Tier-1 jurisdiction with a world-class regulatory framework for exploration and mining companies.

I have thoroughly enjoyed getting back into a hands-on leadership role at Talisman since joining the board in July and, with the support of a very capable technical and financial advisory team, we have already made strong progress in identifying and reviewing a number of potentially exciting new growth opportunities.

I would like to assure shareholders that we will adopt a patient, systematic and judicious approach in our search for new projects or in our pursuit of value accretive corporate transactions to ensure we find the best assets with the potential to create long-term shareholder value – both at the exploration stage and more advanced projects with near-term development and production potential.

We recently announced the appointment of Shaun Vokes as Interim Chief Executive Officer to oversee this important transition phase and work closely with me and my team as we undertake due diligence on new project opportunities. Shaun has vast corporate and mining experience, and was a key part of the executive team at Talisman between 2016 and 2020.

He succeeds Dan Madden, who has resigned as Managing Director to pursue a new career opportunity. I would like to extend my sincere thanks to Dan for his management of the Company and hard work over a long period of time.

I would also like to acknowledge the significant contribution of our previous Chairman, Jeremy Kirkwood, who remains on the board as a Non-Executive Director and extend my appreciation to the Company's employees, executives and contractors for their efforts throughout the year.

Finally, I would like to thank my fellow shareholders for your continued support. I can assure you that we will embrace the opportunities – and navigate the inevitable challenges – that arise over the next few years with energy, vigour, optimism, enthusiasm and, most importantly, integrity.

Yours faithfully,

Kerry Harmanis
Chairman



REVIEW OF OPERATIONS

OVERVIEW

Talisman Mining Limited (**Talisman** or the **Company**) has undergone significant activity in the past financial year with the divestment of Talisman's Sinclair Nickel Project in Western Australia (**Sinclair**) to Saracen Nickel Pty Ltd and continued exploration at the Lachlan Copper Gold Project (**Lachlan Project**) and the Lucknow Gold Project (**Lucknow Project**) in New South Wales.

During the 2020 financial year, Talisman entered into a binding share sale agreement to divest Sinclair to Saracen Nickel Pty Ltd, a wholly owned subsidiary of Saracen Mineral Holdings Ltd (**Saracen**). The transaction was implemented by way of a sale of all of the shares in Talisman Nickel Pty Ltd (Talisman Nickel). The transaction was completed on 11 October 2019 with Talisman receiving the consideration of:

- \$10 million cash (plus an additional \$0.4M in post-completion adjustments); and
- 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.

The divestment consideration provided the Company with a strong financial position to continue exploration activities at the Lachlan and Lucknow Projects and to pursue potential prospective exploration and advanced development gold and base metal opportunities in Australia.

As a result of the Sinclair divestment, the Company strengthened its royalty portfolio and is well placed to benefit from any potential future production from Sinclair and any potential future non-precious metal production from Waterloo through the 2% NSR royalties. These royalties complement the existing iron ore and copper-gold royalties held as a result of previous asset transactions.

In August 2019 the Company announced that it had entered into a farm-in for the Lucknow Project in NSW. The Lucknow Goldfield was discovered in 1851 and was one of the earliest goldfields to be mined commercially in Australia. Historic production records at Lucknow are incomplete, however in excess of 400,000 ounces of gold was reportedly produced at grades of 100 to 200 g/t gold¹.

Very little modern exploration has been completed outside of the existing mine workings and in late June 2020 Talisman commenced its maiden drilling program to test for potential down plunge extensions of the high-grade gold ore shoots and repeat structures in proximity to the historic Wentworth and Darcy shafts.

The Company also continued exploration activities at the Lachlan Project in NSW where it currently controls over 2,700 km² of exploration tenure through 100% owned ground, farm-in arrangements and joint ventures.

During the financial year, a number of drill programs were undertaken at the Lachlan Project, targeting gold-in-soil anomalies with reverse circulation (**RC**) drilling as well as a diamond drill program at the high-grade copper Blind Calf Prospect. The impact of COVID-19 early in the 2020 year delayed further drilling until May 2020.

COVID-19 impacted the Company's activities during the year, with the temporary suspension of field operations and a temporary reduction in directors' fees and executive salaries being implemented in response to the pandemic. All employees were assigned to a working from home roster on a reduced working week from April-June 2020 with reduced salaries on a pro-rata basis. As of July 2020, there is a reduced executive team and workforce under revised part-time working arrangements, resulting in significantly reduced personnel costs going forward. Measures remain in place across the corporate office and exploration sites to protect the safety and well-being of all employees and contractors.

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



REVIEW OF OPERATIONS

LACHLAN COPPER-GOLD PROJECT

Talisman's Lachlan Project area covers over 2,700km² of exploration tenure including an extensive strike extent along the Gilmore Suture (Figure 1). It is considered that this area has the potential to host a variety of deposit types including low sulphation epithermal gold and base metal deposits (similar to the Mineral Hill deposit), structurally controlled gold deposits (similar to the Mt Boppy deposit), structurally controlled copper deposits (similar to the Blind Calf deposit), Cobar style gold and base metal deposits, as well as skarn deposits.

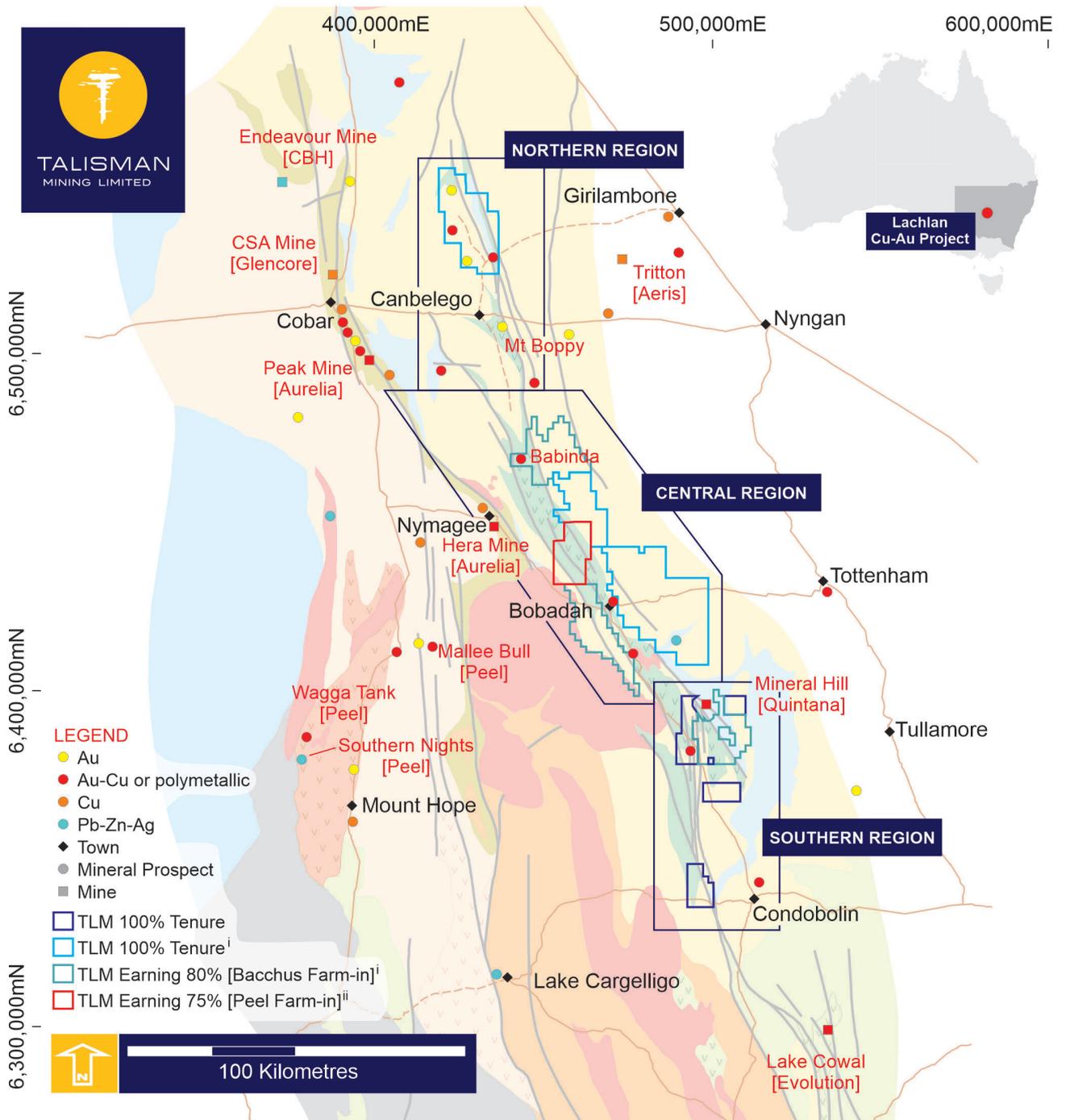


Figure 1: Lachlan Copper-Gold Project tenure and simplified geology



REVIEW OF OPERATIONS

The Company has identified multiple gold and base metal mineralisation exploration targets that are classified in 5 stages depending on corroborating geological information:

- **Stage 1** Conceptual Targets;
- **Stage 2** Prospect areas with anomalies defined from surface sampling programs;
- **Stage 3** Prospect areas with known gold or base metal mineralisation intersected in bedrock drilling in addition to anomalies defined from surface sampling programs;
- **Stage 4** Prospect areas with economic grade mineralisation and/or economic width intersection; and
- **Stage 5** Prospect areas with economic grade and width mineralisation that are subject to targeted resource drilling.

On-ground exploration during the financial year included reconnaissance mapping, soil sampling, diamond and RC drilling and geophysical surveys.

Blind Calf Prospect

Prior RC drilling by Talisman has shown the Blind Calf-Dunbars copper lode system (Figure 2) to be a copper bearing sheared quartz lode, extending along strike for approximately 300m and to a depth of over 200m (Figure 3). Drilling has identified a zone of high-grade copper mineralisation (+5% Cu) within the main lode system. Previous RC drilling by Talisman returned high-grade copper intercepts over wide intervals including²:

- BCRC005 7m @ 5.68% Cu from 98m
- BCRC006 13m @ 5.71% Cu from 129m
- BCRC007 11m @ 4.78% Cu from 127m
- BCRC010 21m @ 2.67% Cu from 117m

RC drilling completed at the Blind Calf Prospect at the beginning of the financial year targeted three areas in the Blind Calf region; down-plunge extensions, down-hole electromagnetic conductors and a number of parallel lodes to the north west, south and south-east of the Blind Calf-Dunbars copper lode system.

Drilling of down-plunge extensions and down-hole electromagnetic conductors at the Blind-Calf Dunbars copper lode system intersected strongly altered volcanic lithologies, with quartz veining and logged copper sulphide mineralisation (chalcopyrite). The best result from this drilling was:

- **10m @ 4.32% Cu** from 176m including **4m @ 7.68% Cu** from 180m (BCRC0029)³.

The high-grade nature of the intersection is consistent with the interpreted high-grade core to the mineralisation. Importantly this hole intersected mineralisation approximately 50m

down-plunge from previous high-grade intersections thereby extending the high-grade component (Figure 3). A down hole electromagnetic (DHEM) survey of BCRC0029 highlighted further off-hole conductors in the area.

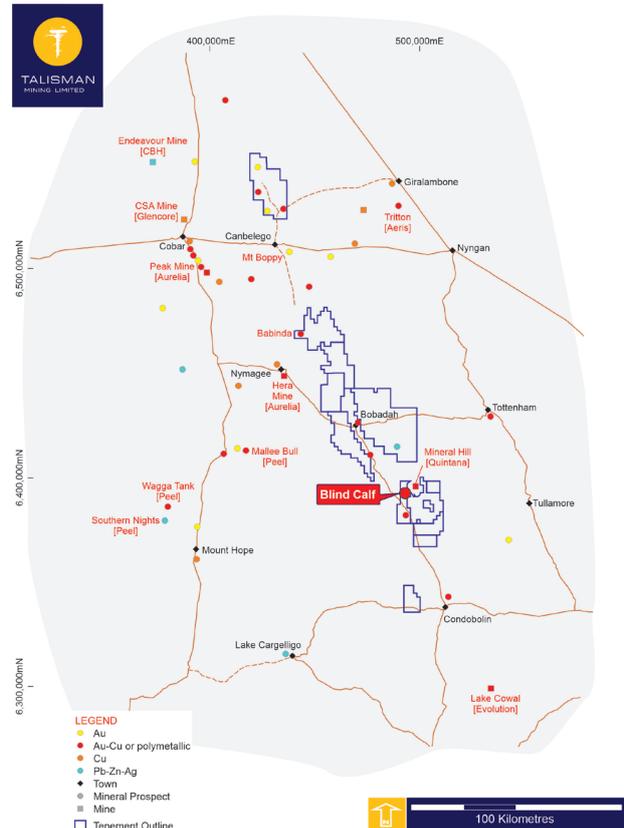


Figure 2: Blind Calf Location

In the second half of the year, the Company completed a four-hole, diamond drill program at Blind Calf. Initial observations from logging of the core highlighted a highly complex deformed rock package of fine to medium grained sediments, with brecciated quartz sulphide veining, boudinage quartz sulphide veining (Figure 4), sulphide stringer veins and disseminated sulphide throughout the host sedimentary rock package. These sulphide zones returned anomalous assay results with the better grades from the zones of brecciated semi-massive sulphide in BCDD003 which returned 0.6m @ 5.81% Cu from 165m within a broader zone of 1.75m @ 2.52% Cu from 165m down hole⁴.

2 Refer ASX announcements dated 26 February 2018, 5 July 2018, 30 November 2018 and 9 September 2019 for full details of drill hole intersections.

3 Refer Talisman ASX announcement dated 9 September 2019 for full details including JORC tables.

4 Refer Talisman ASX announcement dated 5 May 2020 for full details including JORC tables.



REVIEW OF OPERATIONS

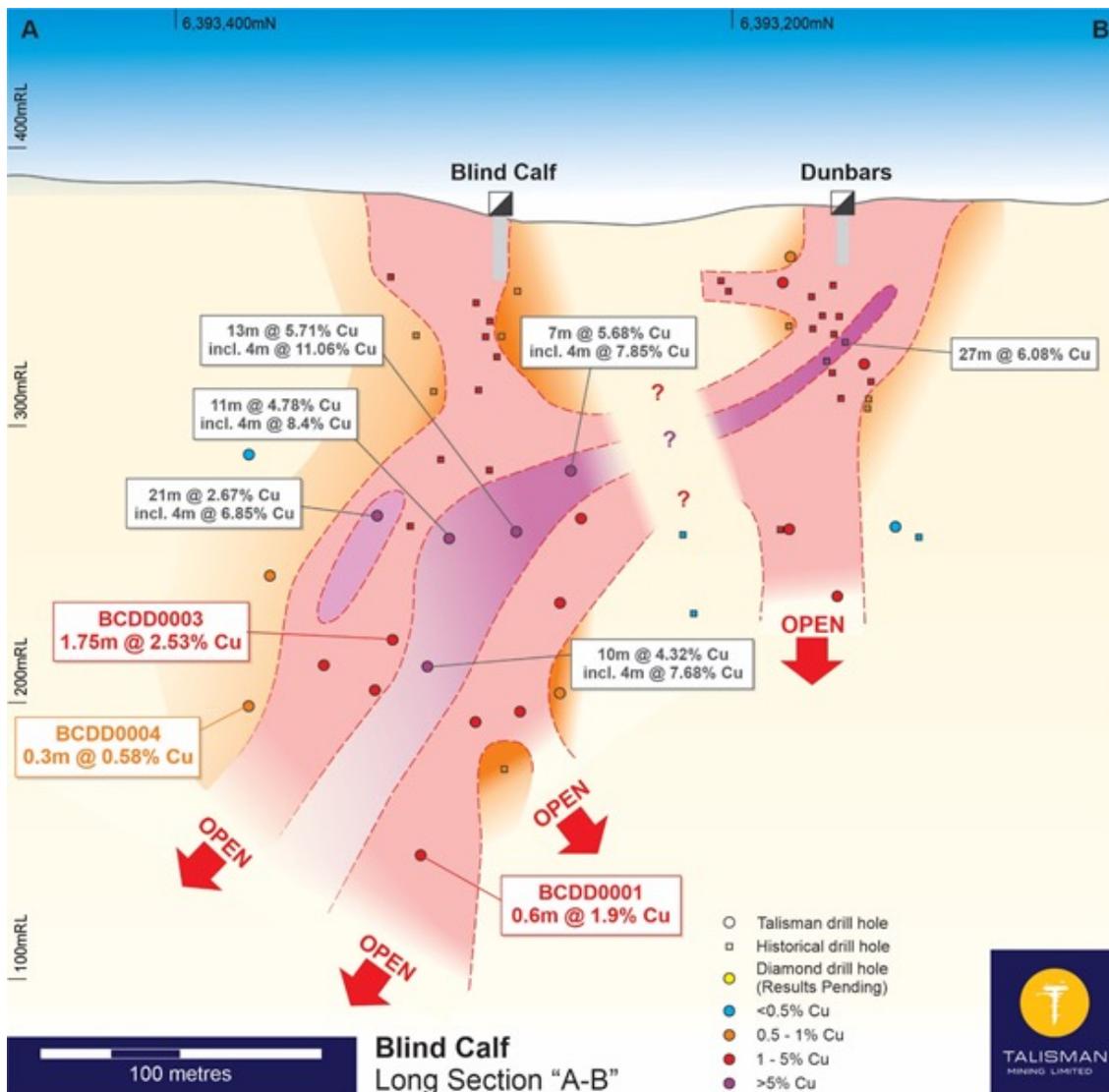


Figure 3: Blind Calf-Dunbars long section showing interpreted copper lode system and previously reported Talisman and historic drill holes⁵

BCDD001 which intersected the Blind Calf structure some 80-100m below previous intersections, returned an intersection of 0.6m @ 1.9% Cu from 243m, along with a number of similar intersections throughout the hole which correlate with the observed zones of disseminated

and stringer sulphides. These results confirm that the mineralised Blind Calf host structure continues some 80-100m below previous intersections and remains open at depth⁴.

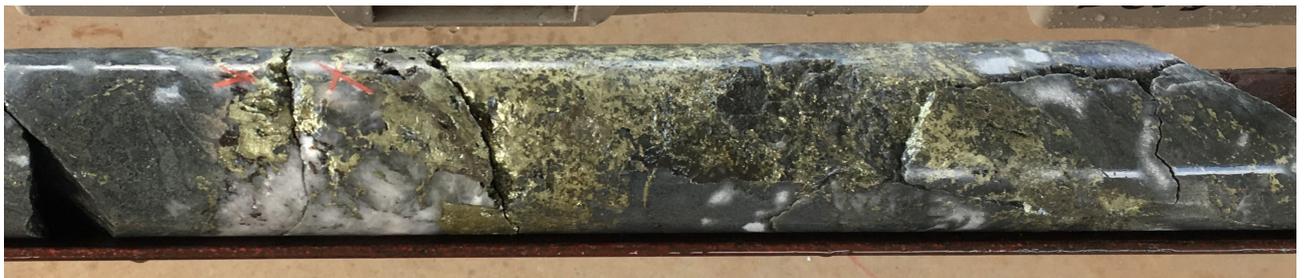


Figure 4: Blind Calf Prospect – BCDD003: Brecciated quartz & semi-massive chalcopyrite sulphide vein

⁵ Refer ASX announcements dated 26 February 2018, 5 July 2018, 30 November 2018 and 9 September 2019 for full details of drill hole intersections.



REVIEW OF OPERATIONS

Blind Calf Regional DHEM Conductors

Talisman identified a series of new downhole electromagnetic conductive anomalies across the Blind Calf region as a result of DHEM surveys conducted on RC drilling completed at the beginning of the financial year⁶.

This drilling was undertaken to test interpreted potential parallel lodes proximal to the Blind Calf-Dunbar copper lode system.

As at the date of this report all five DHEM conductive anomalies remain untested (*Figure 5*).

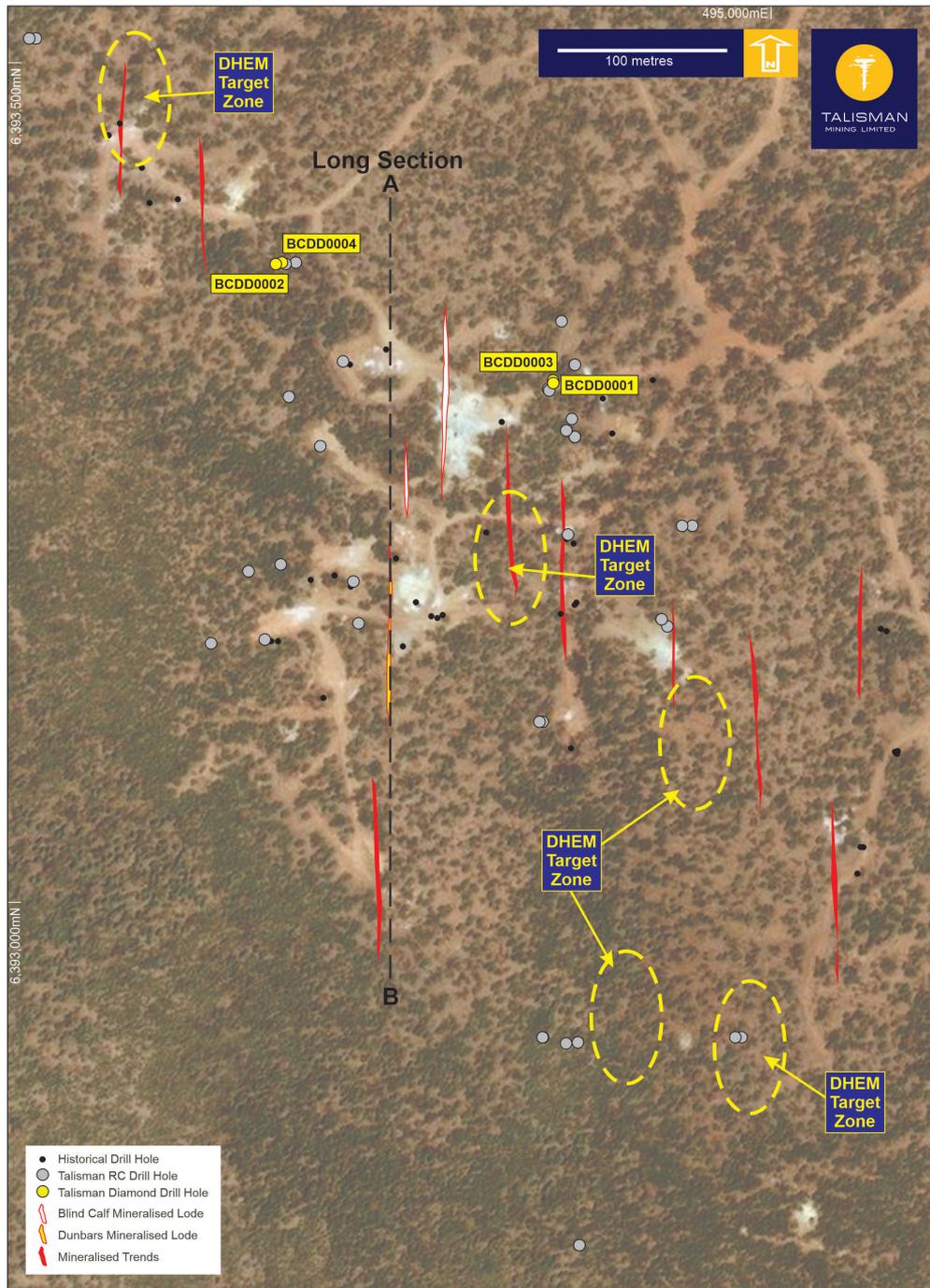


Figure 5: Blind Calf-Dunbars drill collar plan showing position of the completed diamond drill holes, the Long Section positions and the DHEM target zones for future RC drilling.

⁶ Refer to ASX announcement dated 9 September 2019 for full details.



REVIEW OF OPERATIONS

Blind Calf – Alteration Mapping

Initial hyperspectral analysis and litho-geochemical mapping of the Blind Calf-Dunbars mineralisation has shown clear metal zonation within the Blind Calf system which will aid future drill targeting of high-grade areas.

Global Ore Discovery (Brisbane) were engaged during the year to undertake a detailed examination of the available geochemical data set for the Blind Calf and Dunbars deposits focusing on specific alteration mineralogy and chemistry associated with the copper mineralisation. The aim of the work was to determine whether alteration and chemical vectors to high grade mineralisation can be

identified on a prospect scale and, if successful, to use these vectors to help target deeper zones of mineralisation below the current Blind Calf-Dunbars mineralised structure and other parallel mineralised structures to the east and west.

The study has shown that the copper mineralisation is associated with a distinct metal zonation pattern, with elevated nickel and cobalt identified up to 40m from the copper mineralisation and elevated antimony, bismuth, arsenic and silver identified proximal to the copper mineralisation (*Figure 6*). This pattern of subtle metal zonation will prove highly valuable in directing future drilling toward higher grade portions of the mineralised structures.

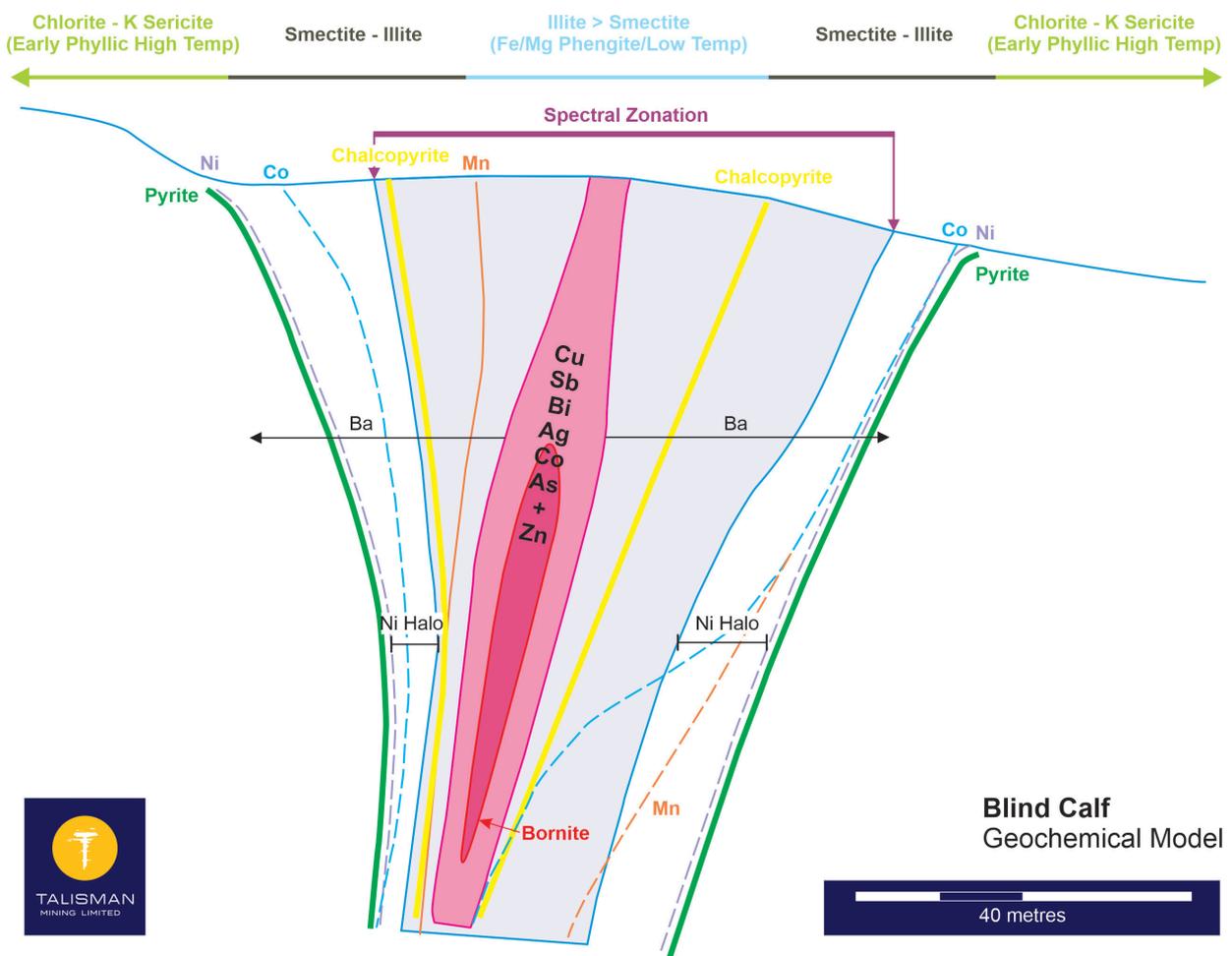


Figure 6: Schematic cross sections illustrating metal and alteration zonation interpreted from Blind Calf RC and diamond drill data.

The outcomes of the initial hyperspectral study of the localised Blind Calf mineralisation has proven to be highly encouraging and has provided some clear vectoring tools for higher grade mineralisation within the system. Further spectral work will be undertaken in the short to medium term with the aim of building a three-dimensional alteration and chemical model.

The findings to date will also be applied more regionally, with follow-up work to include wider prospect scale alteration mapping to highlight potential additional copper lodes. Specifically, spectral alteration mapping will be reviewed in conjunction with regional DHEM anomalies identified from previous RC drilling.



REVIEW OF OPERATIONS

Harding's Prospect (EL8547): Gold-in-soils

Gold assay results from geochemical sampling in mid-2019 identified an anomaly at the Harding's Prospect (*Figure 7*) extending over 1km, with a peak assay value of +500ppb Au (0.5g/t Au) in soils⁷. Surface verification identified a sequence of sub-cropping highly altered volcanic rocks, which are interpreted to represent a continuation of the Mineral Hill volcanic sequence.

During the financial year a single drill traverse of four holes for a total of 555m was completed across the peak of the gold-in-soil anomaly. Drilling encountered siliceous volcanic tuffaceous rocks with minor thin quartz veining and sulphides (pyrite) noted on drilling. Results from assays have shown thin isolated zones of elevated gold mineralisation with one intersection consistent with the surface geochemical anomalism. Gold assays returned were less than 0.5g/t Au and are not considered significant by Talisman.

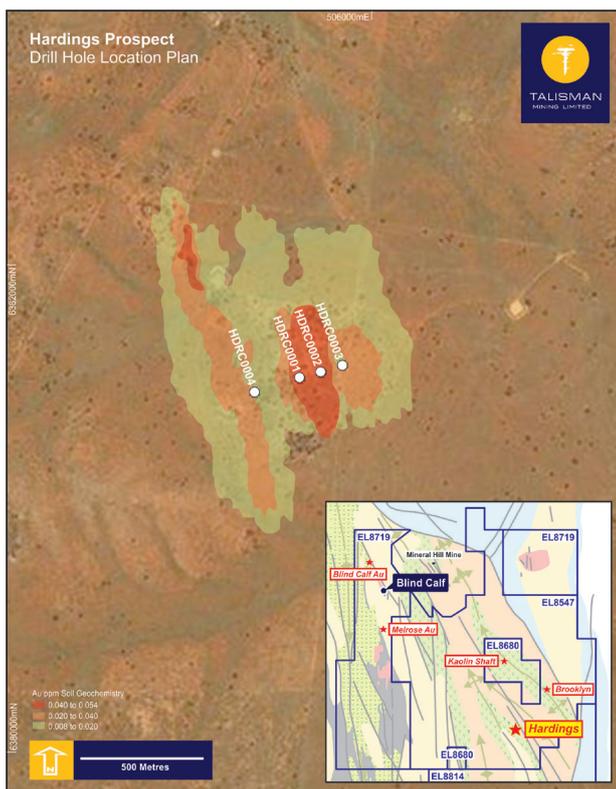


Figure 7: Harding's Prospect RC drill collar location plan⁸

Brooklyn-Kaolin Shaft Prospects (EL8680 & EL8547): Gold-in-soils

Gold assay results from regolith sampling undertaken in mid-2019 along the southeast extension of the Mineral Hill Corridor highlighted multiple gold-in-soil anomalies⁷. The area contains numerous historic workings and is hosted by altered volcanic rocks. The Kaolin Shaft and Brooklyn Prospects were two high-priority drill targets along this trend (*Figure 8 & Figure 9*).

One drill traverse at Brooklyn and a single hole at Kaolin Shaft were completed during the reporting period at these two areas⁹. Assay results received from the Brooklyn Prospect, showed broad zones of low-level gold anomalism consistent with the surface geochemical anomaly (>0.25g/t Au) across the western most drill hole, BKRC001, including two narrow zones at >0.5g/t Au. BKRC002 and BKRC003 did not return any significant results.



Figure 8: Brooklyn Prospect RC drill collar location plan⁸

Assay results from the hole completed at the Kaolin Shaft Prospect returned elevated base metal (lead and zinc) anomalism associated with logged base-metal sulphides in an altered felsic volcanic rock sequence with the best result being: 2m @ 2.95% Zn from 50m including 1m @ 4.77% Zn from 50m (KSRC0001)⁹.

7 Refer Talisman ASX announcement dated 22 July 2019 for full details.

8 Refer to Figure 1 for Tenement details.

9 Refer Talisman ASX announcement dated 24 January 2020 for full details including JORC tables.



REVIEW OF OPERATIONS

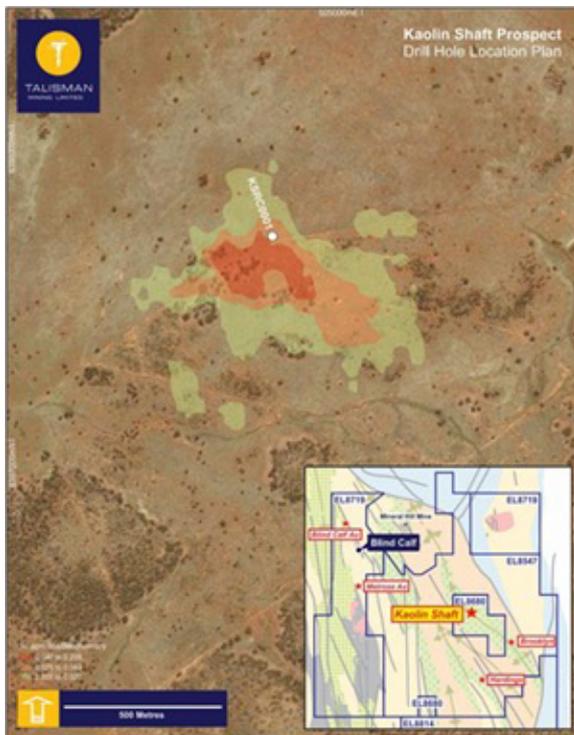


Figure 9: Kaolin Shaft Prospect RC drill collar location plan⁸

Melrose Prospect (EL8719): Gold-in-soils

Gold assay results from initial sampling conducted in mid-2019 at the Melrose Prospect identified an anomaly extending over 1.5km (Figure 10) and returned a peak assay value of +400ppb Au (0.4g/t Au) in soils. Surface verification identified a strongly altered gossanous unit and quartz veining in a sequence of altered volcanic rocks. Further geochemical sampling extended this geochemical anomaly from 1.5km to more than 2.8km¹⁰.

A total of six RC drill holes for 928m were completed during the reporting period testing approximately 500m of the +2.8km strike (Figure 10). Drilling intersected a rock package exhibiting broad zones of moderate to strong alteration comprising intercalated felsic volcanics, quartz porphyries and sediments with varied intensity of quartz veining and sulphide mineralisation across all completed drill traverses. Assay results confirmed geological observations, returning broad low-level gold anomalism with moderate grade mineralisation associated with zones of more intense veining. The best result returned was from hole MGRC0004 which returned 1m @ 2.03 g/t Au from 65m⁹ on the southern-most line drilled to date.

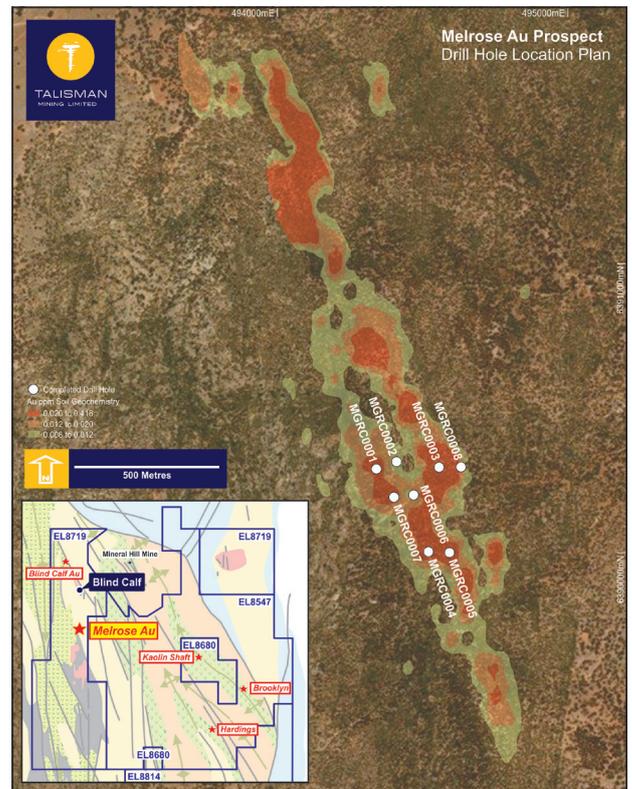


Figure 10: Melrose Gold prospect RC drill collar location plan⁸

Joint Ventures

As previously announced to the ASX¹¹, Haverford Holdings Ltd (**Haverford**), a 100% owned subsidiary of Talisman, entered into a Farm-In Agreement with Bacchus Resources Pty Ltd (**Bacchus**) over certain Lachlan Project tenements (**FIA**).

The terms of the FIA were amended by the parties on 18 February 2020 to include a number of clarifications.

In accordance with the terms of the FIA (as amended):

- Haverford was deemed to have earned a 51% interest in the Bacchus Tenements (EL8547, EL8571, EL8638, EL8657, EL8658 and EL8680) by sole funding \$1.3M of on-ground exploration expenditure within the required three-year period;
- Haverford could earn a further 29% interest in the Bacchus Tenements (being 80% in aggregate) by incurring a further \$0.6M of third-party exploration expenditure (**Second Earn-in Expenditure**) between 18 February 2020 and 17 August 2021 (**Second Earn-In Period**) on the Bacchus Tenements. If Haverford does not incur the Second Earn-In Expenditure by the end of the Second Earn-in Period, Haverford will retain its 51% interest in the Bacchus Tenements but will not earn any additional interest;

10 Refer to ASX announcement dated 22 July 2019 for full details.

11 Refer Talisman ASX announcement "Further NSW Gold and Base Metals Tenure Secured" 09 January 2018.



REVIEW OF OPERATIONS

- Bacchus is entitled to receive a 20% interest in the Haverford Tenements (EL8615, EL8659 and EL8677) at the end of the Second Earn-in Period; and
- at the end of the Second Earn-In Period, a formal joint venture will be entered into in respect of both the Bacchus Tenements and the Haverford Tenements which provides that Bacchus will be free carried for 10% of its joint venture interest until a decision to mine. Post a decision to mine, Bacchus can then elect whether to contribute or not, if Bacchus elects not to contribute, Haverford shall acquire Bacchus' interest in the joint venture for 95% of fair value as agreed by the joint venture participants or determined by an expert.

During the reporting period Haverford elected to continue to earn into the Bacchus Tenements to potentially acquire a further 29% legal and beneficial interest in the Bacchus Tenements. Regardless of whether Haverford incurs the Second Earn-In Expenditure, at the end of the Second Earn-In Period Bacchus is entitled to receive a 20% interest in certain Haverford Tenements which are included as part of the Lachlan Project.

Following a review of Lachlan Project tenure during the reporting period, Haverford relinquished EL8638 and EL8657.

LUCKNOW GOLD PROJECT

In August 2019 Talisman entered into an exploration farm-in agreement (EFIA) with privately owned Lucknow Gold Ltd (**Lucknow Gold**) in relation to the Lucknow Gold Project (EL6455) (Figure 11) in New South Wales (**Lucknow Project**)¹².

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 Lucknow Project are incomplete, however in excess of 400,000 ounces of gold was reportedly produced at grades of 100 to 200 g/t gold¹³.

Gold mineralisation at Lucknow is intimately associated with the major NNW trending Lucknow Fault (Figure 11) which dips 60° to 70° to the northeast. The fault separates hanging wall serpentinite from the footwall volcanic rocks. The volcanic rocks of the Oakdale Formation on the footwall are competent and subject to brittle deformation, whereas the hanging wall serpentinite is far less competent, and more subject to ductile deformation.

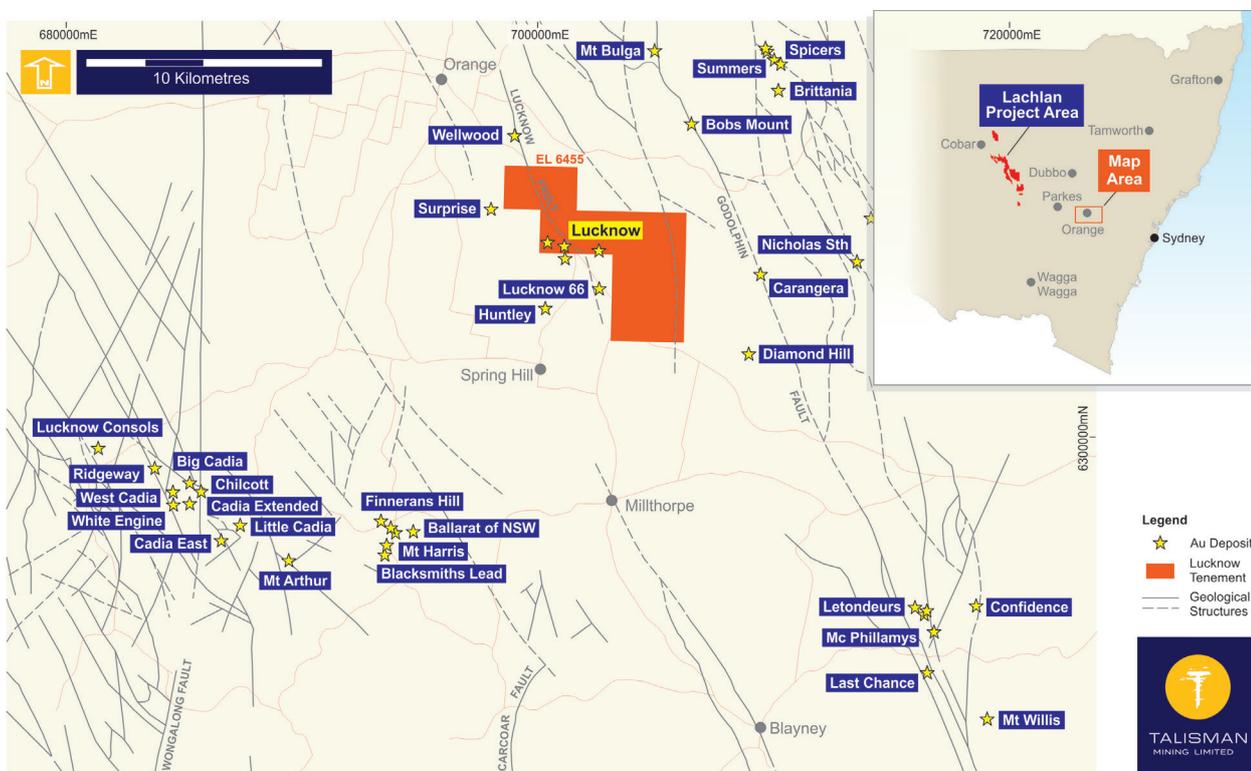


Figure 11: Lucknow Project tenure.

¹² Refer to ASX announcement dated 26 August 2019 for full details.

¹³ NSW DIGS report, First Annual Exploration Report EL5770, 2001-R00030162.



REVIEW OF OPERATIONS

It is interpreted that the jog in the Lucknow Fault caused dilation, and the formation of east-west trending, vertical fractures in the footwall. These fractures contain the quartz plus calcite high grade gold bearing veins at the Lucknow Project. The veins are zoned such that away from the Lucknow Fault contact they consist of barren quartz, moving to calcite plus quartz, then calcite only. Historic gold mineralisation is localised at the intersection of steep dipping east-west quartz plus pyrite+/-calcite veins, and the ultramafic-dacite contact along the Lucknow Fault. The bonanza grade gold mineralisation occurred in steeply plunging shoots.

During the first half of the financial year, Talisman executed the necessary land access agreements with key local land holders for its maiden drill program at the Lucknow Project. Commencement of drilling was delayed due to the impact of Covid-19 in early 2020, however following detailed risk assessment and the implementation of strict safety guidelines, the Company commenced diamond drilling in June 2020 to test the interpreted fault off-set position of the historical gold lodes at Lucknow¹⁴ (Figure 12 & Figure 13).



Figure 12: Lucknow Project mine shaft locations and simplified geology.

14 Refer ASX announcement dated 5 June 2020.



REVIEW OF OPERATIONS

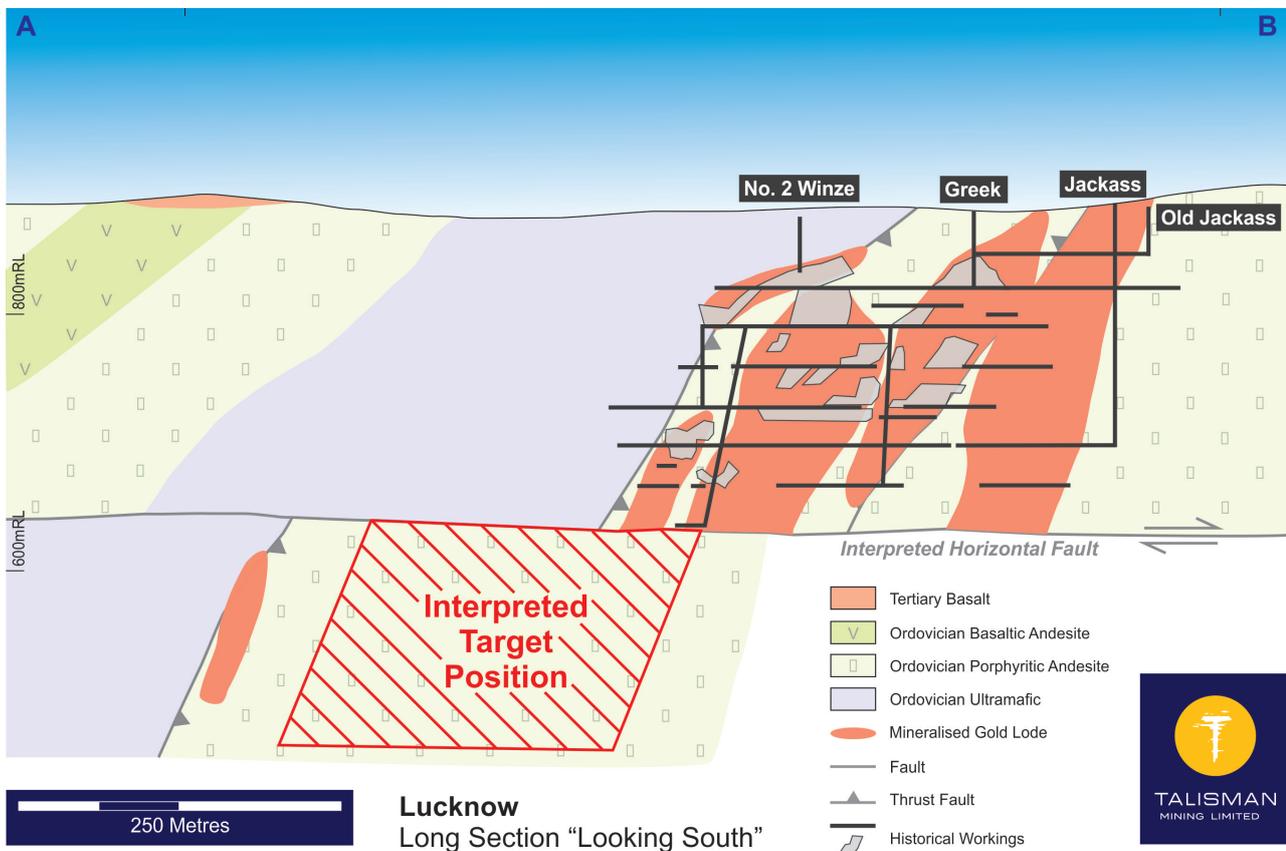


Figure 13: Lucknow Project interpreted long section, showing the interpreted faulted offset mineralisation target position.

Subsequent to 30 June 2020, the Company completed its maiden diamond drilling program at the Lucknow Project targeting the interpreted high-grade lode offset position of the historical Lucknow gold mine. Assays returned low-grade gold mineralisation with the mineralised zones interpreted to represent the more distal extensions of the main gold lodes. The recent drilling, supported by a structural and geological interpretation, suggests that the ultramafic stratigraphy and prospective contact has been offset to the north-west by a sinistral fault – indicating a potential target to the north-west of recent drilling.

A review is currently underway to identify potential future drill targets in the corridor to the north-west along the Lucknow Fault, where there is evidence of gold mineralisation in areas of minimal previous exploration.¹⁵

Lucknow Project Farm-in Agreement Key Terms

Talisman's wholly owned subsidiary, Talisman B Pty Ltd (**Talisman B**), entered into the EFIA with Lucknow Gold relating to the Lucknow Project, with Talisman B as the manager of exploration programs throughout the earn-in period.

Talisman B has the right to earn up to a 70% interest in the Lucknow Project, by spending a minimum of \$1.5M on exploration over four years and issuing \$0.25M worth of

Talisman shares (under certain conditions) to Lucknow Gold. On entering into the EFIA Talisman issued \$0.1M worth of shares to Lucknow Gold (at the 15-day VWAP prior to entering into the agreement).

Talisman B has a minimum expenditure commitment of \$0.35M (**Minimum Expenditure**) within the first 12 months. On satisfying the Minimum Expenditure requirement, Talisman B can then elect to withdraw or continue to earn-in to gain a 51% legal and beneficial interest in the Project by sole funding a further \$0.35M (cumulative expenditure of \$0.7M) within the next 12 months (cumulative total 24 months) (**First Interest**).

During the First Interest earn-in period, Talisman is required to:

- upon Talisman B incurring cumulative EFIA earn-in expenditure of \$0.5M, either pay Lucknow Gold \$0.1M in cash or issue Lucknow Gold with \$0.1M worth of shares (using the 15-day VWAP prior to the date on which the \$0.5M expenditure threshold is met); and
- upon Talisman B incurring cumulative EFIA earn-in expenditure of \$0.65M, either pay Lucknow Gold \$0.05M in cash or issue Lucknow Gold with \$0.05M worth of shares (using the 15-day VWAP prior to the date on which the \$0.65M expenditure threshold is met).

¹⁵ Refer ASX announcement dated 27 August 2020.



REVIEW OF OPERATIONS

Should Talisman acquire the First Interest it will have the option to sole fund a further \$0.8M on exploration expenditure (cumulative expenditure of \$1.5M) within a further 24-month period (cumulative total 48 months) in order to acquire an additional legal and beneficial interest of 19% (**Second Interest**) in the Project, thereby taking its total interest to 70%.

Talisman can withdraw from the EFIA at any time during the first 12 months by satisfying the Minimum Expenditure commitment and anytime thereafter by ensuring the minimum pro-rata statutory expenditure commitments on the Lucknow Project tenements have been satisfied.

At any time after Talisman B has earned the First Interest, Talisman B may elect to form an unincorporated exploration joint venture (EJV). If Talisman B earns the Second Interest its participating interest in the EJV will be 70% and Lucknow Gold will be 30%, otherwise it will be 51% and Lucknow Gold will be 49%.

IMPACT OF COVID-19

In late March 2020 Talisman temporarily suspended all field work, including drilling, at its NSW projects in response to the onset and rapid escalation of the COVID-19 pandemic.

In early April, Talisman implemented the following temporary changes to ensure the strength of the business:

- Non-Executive Directors took a 50% reduction in their Director fees and Executive salaries were reduced by 25%; and
- All employees (including Executives) worked from home on a three or four days work per week basis with salaries reduced on a pro-rata basis.

In June 2020, following the staged lifting of COVID-19 restrictions across the country, the Company was able to resume exploration drilling and ongoing business development activities and implemented the staged lifting of a number of these measures across a downsized team.

Measures remain in place across the corporate office and exploration sites to protect the safety and well-being of all our employees and contractors during the evolving COVID-19 pandemic.

SINCLAIR NICKEL PROJECT

On 27 September 2019 Talisman executed a binding share sale agreement to divest its Sinclair Nickel Project in Western Australia (**Sinclair**) to Saracen Nickel Pty Ltd, a wholly owned subsidiary of Saracen Mineral Holdings Ltd (**Saracen**) (the **Transaction**)¹⁶. The Transaction was implemented by way of a sale of all of the shares in Talisman Nickel Pty Ltd (**Talisman Nickel**) and was successfully completed on the 11th October 2019¹⁷.

At completion the Transaction provided Talisman with cash consideration of \$10 million and an additional post-completion working capital adjustment of \$0.4 million. The Transaction also provided Talisman with a 2% Net Smelter Return royalty applicable to any future metal production from the Sinclair tenements; and any future non-precious metal production from Saracen's Waterloo Nickel Project (which is currently on care and maintenance).

Completion of the Transaction also removed annual holding costs (excluding discretionary exploration expenses) of approximately \$2 million. Further, by acquiring all of the shares in Talisman Nickel, Saracen assumed 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 (as at 30 June 2019).

Competent Persons' Statement

Information in this report that relates to Exploration Results and Exploration Targets is based on information completed by Mr Donald Huntly, who is a member of the Australasian Institute of Geoscientists. Mr Huntly 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Huntly consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

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.

¹⁶ Refer to ASX announcement dated 27 September 2019 for full details.

¹⁷ Refer to ASX announcement dated 11 October 2019 for full details.



REVIEW OF OPERATIONS

Forward-Looking Statements

This report 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.

TENEMENT SCHEDULE

As at date of report

| Project / Tenement | Location and Blocks (Area) | Tenement Status | Talisman Equity (%) | Expiry Date | Joint Venture Partner / Farm-In Party |
|------------------------|----------------------------|-----------------|---------------------|-------------|---|
| LACHLAN PROJECT | NSW | | | | |
| EL8615 | (726km ²) | Granted | 100% | 07-07-23 | Bacchus Resources Pty Ltd (right to 20% interest) |
| EL8659 | (373km ²) | Granted | 100% | 18-10-23 | |
| EL8677 | (193km ²) | Granted | 100% | 08-12-23 | |
| EL8414 | (174km ²) | Granted | 0% | 02-12-24 | Peel Mining Ltd (TLM earning up to 75%) |
| EL8547 | (205km ²) | Granted | 51% | 03-04-22 | Bacchus Resources Pty Ltd (TLM earning up to 80%) |
| EL8571 | (258km ²) | Granted | 51% | 23-05-22 | |
| EL8658 | (256km ²) | Granted | 51% | 13-10-22 | |
| EL8680 | (20km ²) | Granted | 51% | 08-12-22 | |
| EL8718 | (86km ²) | Granted | 100% | 27-03-24 | N/A |
| EL8719 | (191km ²) | Granted | 100% | 27-03-24 | |
| OTHER | NSW | | | | |
| EL8451 | (276km ²) | Granted | 0% | 16-07-25 | Peel Mining Ltd (TLM earning up to 75%) |
| EL 8977 | (463km ²) | Granted | 100% | 11-05-23 | N/A |
| LUCKNOW PROJECT | NSW | | | | |
| EL6455 | (29km ²) | Granted | 0% | 28-08-21 | Lucknow Gold Ltd (TLM earning up to 70%) |



CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement can be found on the Company's website at www.talismanmining.com.au/about-us/corporate-governance.html under the heading marked "Corporate Governance Statement".

The following governance-related documents can also be found on the Company's website:

Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee

Constitution

- Constitution of Talisman Mining Limited

Board

- Code of Conduct – summary
- Policy and Procedure for the Selection and (Re) Appointment of Directors
- Process for Performance Evaluation

Compliance, Controls and Policies

- Risk Management Policy – summary
- Continuous Disclosure Policy – summary
- Securities Trading Policy
- Diversity Policy
- Remuneration Policy

Shareholder Communication

- Shareholder Communication and Investor Relations Policy



DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of Talisman Mining Limited and the entities it controlled for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Kerry Harmanis

Non-Executive Chairman
15 July 2020 - current

Chairman (non-Executive/Non-Independent)

Kerry Harmanis joined the Talisman board on 15 July 2020 and is one of Western Australia's most successful mining executives and investors. Kerry has been a major shareholder and strong supporter of Talisman since 2007 and currently holds an 18% stake in the Company.

With a career spanning more than 40 years in the Australian exploration and mining industry, Kerry was the founder and Executive Chairman of Jubilee Mines NL, a highly successful West Australian nickel miner which he established in 1987.

Through a combination of exploration success, focused project development and operational consistency, Jubilee Mines grew to become one of the most successful mid-tier miners on the ASX until its acquisition by Xstrata for A\$3.1 billion in October 2007.

During this period, Kerry led a highly successful geological and operational team which helped Jubilee set new benchmarks on the ASX for shareholder returns in the resource sector.

In the 3 years immediately before the end of the financial year, Kerry did not serve as a Director of any other ASX listed entities.

Daniel Madden

BComACC, ACA, Governance Institute of Australia

Managing Director
1 July 2016 – 1 September 2020

Non-Executive Director
2 September 2020 - current

Managing Director (Executive/Non-Independent)

Dan Madden was appointed as Managing Director on 1 July 2016 and has been with Talisman since 2009 in his previous roles as Chief Financial Officer and Company Secretary. Dan has more than 17 years' experience in the resource sector, including Xstrata Nickel Australasia, Jubilee Mines NL and Perilya Ltd.

He graduated from the University of Birmingham with a degree in Commerce and Accounting before joining Deloitte in the UK and Australia. He is an Associate Member of the Institute of Chartered Accountants of England and Wales and a member of the Governance Institute of Australia.

In the 3 years immediately before the end of the financial year, Dan did not serve as a Director of any other ASX listed entities.

Dan resigned as Managing Director on 1 September 2020, however remains as a Non-Executive director of the Company.

Jeremy Kirkwood

BCom ANU

Non-Executive Director
15 July 2020 – current

Non-Executive Chairman
April 2016 – 15 July 2020

Non-Executive Director (Independent)

Jeremy Kirkwood joined Talisman in April 2016 and has extensive experience in corporate strategy, investment banking and global capital markets and provides invaluable strategic input and guidance to the Company's board and management team.

Jeremy is a principal of Pilot Advisory Group and was previously a Managing Director at Credit Suisse, Morgan Stanley and Austock. He has primarily worked in public markets, undertaking merger and acquisitions and capital raisings for companies principally in the metal and mining, energy and infrastructure sectors.



DIRECTORS' REPORT

In the 3 years immediately before the end of the financial year, Jeremy joined Joyce Corporation Ltd (ASX:JYC) as a Non-Executive Director on 14 January 2020. In February 2018 he was appointed as the Chairman of Kin Mining Ltd (ASX: KIN) where he remained until his resignation on 24 July 2019. Jeremy also served as a Director of ASX listed Zenitas Ltd (ASX: ZNT) from April 2016, resigning on 5 March 2018.

Jeremy serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience, Jeremy is considered qualified to hold these responsibilities.

Brian Dawes

B. Sc. Mining, MAusIMM

Non-Executive Director
17 June 2009 – current

Non-Executive Director (Independent)

Brian is a mining engineer with extensive international mining industry experience. He holds a BSc in Mining from the University of Leeds in the United Kingdom and is Member of the Australasian Institute of Mining and Metallurgy.

Brian's diverse expertise covers all key industry aspects from exploration through the discovery, feasibility, funding, approvals, project construction, commissioning, operations, optimisation, logistics, marketing, and closure phases. This includes site management and corporate responsibilities in a diversity of challenging and successful underground and open pit operations across many commodities and geographies; mainly in copper, gold, nickel, zinc and lead, and iron ore. Prior to joining Talisman, Brian held senior positions with Jubilee Mines NL, Western Areas, LionOre Australia, WMC, Normandy Mining, and Aberfoyle.

In the 3 years immediately before the end of the financial year, Brian has served as a non-executive director of Kin Mining Ltd (ASX: KIN) since 20 February 2018.

Brian serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Brian is considered qualified to hold these responsibilities.

Karen Gadsby

B. Comm., FCA, MAICD

Non-Executive Director
3 April 2008 - current

Non-Executive Director (Independent)

Karen is a professional Non-Executive Director with over 30 years' finance and commercial experience across several sectors.

She worked as an Executive for North Ltd throughout Australia for 13 years including at Robe River Iron Associates and Energy Resources of Australia Ltd.

In the 3 years immediately before the end of the financial year, Karen has served as a non-executive director of Joyce Corporation Ltd since 1 July 2017.

Karen is the Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. With her extensive experience in finance and having chaired a number of Audit Committees, Karen is considered qualified to hold these responsibilities.

Peter Benjamin

B.Sc. (Hons), Grad Dip (Exploration), (Bus Admin), GAICD, MAusIMM, FFAIM

Non-Executive Director
24 July 2019 - current

Non-Executive Director (Independent)

Peter is a geologist with over 40 years' experience in senior exploration, project, operational and executive management roles for both junior and mid-tier resource companies. These roles have included significant experience in the development and subsequent operations for open pit and underground precious, base metal and bulk mineral mines throughout Australia. Peter has extensive experience in managing and implementing exploration strategies which have led to the successful and ongoing discoveries and delineation of new mineral resources and ore reserves. Peter has previously held senior management roles at Iluka Resources Limited, Shaw River Manganese Ltd and Kalamazoo Resources Limited. Peter is now a consultant for the resources industry, mainly focusing on gold, base metals and mineral sands.

In the 3 years immediately before the end of the financial year, Peter was managing director at Kalamazoo Resources Ltd (ASX: KZR) from July 2017 until his resignation in July 2018. He also served as a non-executive director of Capricorn Resources Limited (ASX: CMM) from November 2018 to March 2019.

Peter is a member of the Audit, Nomination and Remuneration Committees. With his extensive geological and senior exploration management experience, Peter is considered qualified to hold these responsibilities.



DIRECTORS' REPORT

COMPANY SECRETARIES

Alex Neuling

BSc, FCA (ICAEW), FCIS

Co-Company Secretary
1 May 2016 - current

Company Secretary

Alex Neuling is a Chartered Accountant and Chartered Secretary with extensive corporate and financial experience including as Director, Chief Financial Officer and / or Company Secretary of various ASX-listed companies in the mining, mineral exploration, oil & gas and other sectors.

Prior to those roles, Alex worked at Deloitte in London and Perth. Alex also holds an honours degree in chemistry from the University of Leeds in the United Kingdom and is principal of Erasmus Consulting which provides company secretarial and financial management consultancy services to a variety of ASX-listed and other companies.

Shaun Vokes

BBus, CPA

Chief Financial Officer and Co-Company Secretary
1 May 2016 – 30 April 2020

Interim Chief Executive Officer
2 September 2020 - current

Chief Financial Officer and Co-Company Secretary (ceased 30 April 2020)

Interim Chief Executive Officer (Appointed 2 September 2020)

Shaun joined Talisman in February 2016. He is a finance professional with over 27 years' experience in the metalliferous resources industry gained predominantly in senior operational and management roles within Australia and Africa.

Prior to joining Talisman, Shaun spent five years as Manager, Business Services/CFO for Kabanga Nickel Company Ltd in Tanzania. Shaun's experience includes project evaluation and financing, business development, contract negotiation, metals marketing, risk management and corporate and financial governance for both private and ASX-listed entities across a range of base and precious metals.

Shaun is a graduate of Curtin University and holds a Bachelor of Business degree and is a member of the Australian Society of Certified Practising Accountants.

PRINCIPAL ACTIVITIES

The principal activity of Talisman Mining Limited during the course of the financial year was exploration for base metals and other minerals, including copper, copper-gold, gold and nickel.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A detailed review of operations during the financial year and commentary on future developments is set out in the section titled "Review of Operations" in this Annual Report.

DIVIDENDS

The Directors resolved that no dividend be paid for the year. A special dividend of 6.375 cents per share franked to 100% was paid in the previous financial year.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Financial performance

During the financial year, the Group reported an operating loss after tax of \$4.8 million (2019: profit after tax \$46.2 million). The Group reported an operating loss after tax from continuing operations of \$7.5 million (2019: loss after tax \$6.7 million).

Revenue for the year of \$0.2 million (2019: \$0.4 million) consisted primarily of bank interest earned on the Group's short-term deposits held during the year.

During the financial year the Company completed a Share Sale Agreement with Saracen Nickel Pty Ltd, a wholly owned subsidiary of Saracen Mineral Holdings Ltd to divest its Sinclair Nickel Project in Western Australia resulting in a profit after tax from discontinued operations of \$2.7 million.

Financial position

As at 30 June 2020, the Group had net assets of \$13.3 million (2019: \$17.4 million) including \$12.9 million of cash and cash equivalents (2019: \$10.6 million).



DIRECTORS' REPORT

SUBSEQUENT EVENTS

Mr Kerry Harmanis was appointed as non-executive Chairman of the Company on 15 July 2020. Mr Harmanis succeeded previous chair Jeremy Kirkwood, who remains on the board of the Company as a Non-Executive Director.

Mr Dan Madden resigned as Managing Director on 1 September 2020, however, remains on the board of the Company as a Non-Executive Director.

Mr Shaun Vokes was appointed as interim Chief Executive Officer of the Company on 2 September 2020.

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, twelve board meetings, two audit committee meetings, one remuneration committee meeting and one nomination committee meeting were held.

| Directors | Board of directors | | Audit committee | | Remuneration committee | | Nomination committee | |
|-----------------|--------------------|----------|--------------------|----------|------------------------|----------|----------------------|----------|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Kerry Harmanis | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Jeremy Kirkwood | 12 | 12 | 2 | 2 | 1 | 1 | 1 | 1 |
| Daniel Madden | 12 | 12 | 2 | 2 | 1 | 1 | 1 | 1 |
| Brian Dawes | 12 | 12 | 2 | 2 | 1 | 1 | 1 | 1 |
| Karen Gadsby | 12 | 12 | 2 | 2 | 1 | 1 | 1 | 1 |
| Peter Benjamin | 12 | 12 | 2 | 2 | 1 | 1 | 1 | 1 |

Note: Executive Directors attending committee meetings during the year attended all or part of the meeting by invitation of the relevant Committee.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares, and options in shares of the Company or a related body corporate as at the date of this report:

| Directors | Fully paid ordinary shares Number | Share Options Number |
|-----------------|-----------------------------------|----------------------|
| Kerry Harmanis | 33,859,138 | - |
| Jeremy Kirkwood | 419,000 | 2,500,000 |
| Daniel Madden | 50,000 | 7,500,000 |
| Brian Dawes | 353,333 | 1,750,000 |
| Karen Gadsby | 311,334 | 1,750,000 |
| Peter Benjamin | 101,093 | 1,750,000 |



DIRECTORS' REPORT

SHARE OPTIONS

Share options granted to Directors and key management personnel

At the date of this report, share options granted to the Directors and key management personnel of the Company and the entities it controlled as part of their remuneration are:

| Directors and senior management | Number of options granted | Issuing Entity | Number of ordinary shares under option |
|---------------------------------|---------------------------|-------------------------|--|
| Kerry Harmanis | - | N/A | - |
| Jeremy Kirkwood | 2,500,000 | Talisman Mining Limited | 2,500,000 |
| Daniel Madden | 7,500,000 | Talisman Mining Limited | 7,500,000 |
| Brian Dawes | 1,750,000 | Talisman Mining Limited | 1,750,000 |
| Karen Gadsby | 1,750,000 | Talisman Mining Limited | 1,750,000 |
| Peter Benjamin | 1,750,000 | Talisman Mining Limited | 1,750,000 |

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

| Issuing entity | Grant Date | Expiry date of options | Number of shares under option | Exercise price of options | Fair Value | Vested Date |
|-------------------------|------------|------------------------|-------------------------------|---------------------------|------------|-------------|
| Talisman Mining Limited | 11-Nov-16 | 31-Oct-21 | 40,000 | \$0.46 | \$0.32 | 30-Jun-19 |
| Talisman Mining Limited | 11-Nov-16 | 31-Oct-21 | 40,000 | \$0.50 | \$0.32 | 30-Jun-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,002 | \$0.14 | \$0.03 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.14 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,001 | \$0.16 | \$0.03 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.16 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,000 | \$0.18 | \$0.02 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.18 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,500,002 | \$0.14 | \$0.04 | 30-Apr-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.14 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,499,999 | \$0.16 | \$0.04 | 30-Apr-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.16 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,499,998 | \$0.18 | \$0.04 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.18 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,447 | \$0.14 | \$0.05 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.14 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,443 | \$0.16 | \$0.05 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.16 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,442 | \$0.18 | \$0.04 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,448 | \$0.18 | \$0.04 | 30-May-21 |

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.



DIRECTORS' REPORT

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of Talisman Mining Limited for the financial year ended 30 June 2020 and is included on page 24.

ENVIRONMENTAL REGULATIONS

The Group'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 significant or material environmental breaches have been notified by any government agency during the year ended 30 June 2020.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties 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.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

AUDITOR INDEPENDENCE

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 31 and forms part of this Directors' report for the year ended 30 June 2020.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

ROUNDING OFF OF AMOUNTS

The Company has applied the relief available to it in ASIC Legislative Instrument 2016/91, and accordingly certain amounts included in this report and in the financial report have been rounded off to the nearest \$1,000 (where rounding is applicable), under the option available to the Company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The Company is an entity to which this instrument applies.



REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of Talisman Mining Limited for the year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The Remuneration Report details the remuneration arrangements for Key Management Personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

KEY MANAGEMENT PERSONNEL DETAILS

The key management personnel of Talisman Mining Limited during the year were:

Directors

| | |
|-----------------|--|
| Kerry Harmanis | Non-Executive Chairman (Appointed 15 July 2020) |
| Jeremy Kirkwood | Non-Executive Chairman (Resigned as Chairman 15 July 2020) |
| Daniel Madden | Managing Director (Resigned as Managing Director on 1 September 2020, remains as a Non-Executive Director) |
| Brian Dawes | Non-Executive Director |
| Karen Gadsby | Non-Executive Director |
| Peter Benjamin | Non-Executive Director (Appointed 24 July 2019) |

Other Key Management

| | |
|-------------------|--|
| Anthony Greenaway | General Manager – Geology (Ceased 7 August 2020) |
| Shaun Vokes | Chief Financial Officer/ Co-Company Secretary (Ceased 30 April 2020) |
| Shaun Vokes | Interim Chief Executive Officer (Appointed 2 September 2020) |

Except as noted, the named persons held their current positions for the whole of the financial year and since the financial year end.

KEY MANAGEMENT PERSONNEL (EXCLUDING NON-EXECUTIVE DIRECTORS)

The Board is responsible for determining the remuneration policies for the Group, including those affecting Executive Directors and other key management personnel. The Board may seek appropriate external advice to assist in its decision making.

The Company's remuneration policy for Executive Directors and key management personnel is designed to promote superior performance and long-term commitment to the Group. The main principles of the policy when considering remuneration are as follows:

- Executive Directors and key management personnel are motivated to pursue long term growth and success of the Group within an appropriate control framework;
- interests of key leadership are aligned with the long-term interests of the Company's shareholders; and
- there is a clear correlation between performance and remuneration.

The remuneration policy for Executive Directors and other key management personnel has three main components, fixed remuneration, long term incentive and a potential discretionary bonus.

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Remuneration Committee has access to external, independent advice where necessary.

Executive Directors and other key management personnel are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component is detailed in the remuneration for key management personnel tables for the years ended 30 June 2020 and 30 June 2019.



REMUNERATION REPORT

Long term incentives

To align the interests of key management personnel with the long-term objectives of the Group and its shareholders, the Group's policy, having regard to the stage of development of its assets, is to issue share options under the shareholder approved 'Executive and Employee Equity Plan' (EEEP) and at the discretion of the Board, subject to shareholder approval for Directors. The issue of share options as remuneration represents cost effective consideration to Directors and key management personnel for their commitment and contribution to the Group and are used as a strategic tool to recruit and retain high calibre personnel. Options issued during the year vest at various periods during the life of the options and value is only realised by Directors and key management personnel upon growth at various premiums to the 5-day volume weighted share of the Company's share price from the date of the grant of the options.

Vesting conditions relating to the performance of the Group are not considered appropriate having regard to the stage of development of the Group's assets.

Potential discretionary bonus

A potential discretionary bonus may be paid to Executive Directors and other key management personnel. Any potential bonus paid is at the discretion of the Remuneration Committee and will typically be made in recognition of contribution to the Group's performance and other significant efforts of Executive Directors and key management personnel in applicable and appropriate circumstances. For the financial year ended 30 June 2020, the Remuneration Committee recommended bonuses totalling \$25,000 be paid to one key management personnel.

NON-EXECUTIVE DIRECTORS

The Group's Non-Executive Directors receive fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Group'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 Group'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 Group. Options issued to Non-Executive Directors are subject to shareholder approval.

A Non-Executive Directors' fee pool limit of \$300,000 per annum was originally approved by the shareholders at the General Meeting on 19 May 2008 and re-approved at the 30 June 2016 General Meeting. For the financial year ended 30 June 2020, this pool was utilised to a level of \$227,350 (inclusive of superannuation). The fee paid for the 2020 financial year to the Chairman was \$80,000 per annum and for the Non-Executive Directors \$50,000 per annum (excluding statutory superannuation) except as noted below.

TEMPORARY CHANGES DUE TO COVID-19

On 2 April 2020, the Group announced that following the suspension of field work due to the COVID-19 pandemic, all non-executive directors would take a temporary 50% reduction in their director fees and executive salaries would be reduced by 25%. On 2 June 2020, the Group announced that as drilling and ongoing business activities had resumed, the temporary reductions would no longer be in place.



REMUNERATION REPORT

KEY TERMS OF EMPLOYMENT CONTRACTS

Remuneration and other terms of employment of Directors and key management personnel are formalised in an employment contract. The major provisions of the agreements related to the remuneration as at balance date are set out below.

| Key Management Personnel | Term of Agreement | Key Agreement Terms | Notice Period |
|--------------------------|--|--|---------------|
| Daniel Madden | Ongoing employment agreement (ceased employment as Managing Director 1 September 2020) | Payment of a termination benefit on early termination by the Group (other than for gross misconduct) at the end of the notice period, is three months' base salary. Where the Group elects to dispense with the notice period and terminate employment, six months' base salary applies. | 3 months |
| Shaun Vokes | Ongoing employment agreement (ceased employment 30 April 2020) | Termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to three months' base salary. | 3 months |
| Anthony Greenaway | Ongoing employment agreement (ceased employment 7 August 2020) | Termination benefit payable on early termination by the Group (other than for gross misconduct) is equal to one months' base salary. | 1 month |

Remuneration for Executive Directors and key management personnel consists of a base salary, superannuation and performance incentives. Long term performance incentives may include options granted at the discretion of the Board subject to obtaining the relevant approvals. The remuneration of the Managing Director is recommended to the Board by the Remuneration Committee. Remuneration of key management personnel (excluding Non-Executive Directors) is recommended annually by the Remuneration Committee in consultation with the Managing Director or equivalent.



REMUNERATION REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each element of the remuneration for key management personnel during the year are set out in the following tables:

| | Short-term employee benefits | | | Post-employment benefits | Share-based payment | Total | % of compensation linked to performance | |
|-----------------------------------|------------------------------|--------|--------------|--------------------------|----------------------------|---------|---|-------------------------|
| | Salary & fees | Bonus | Non-monetary | Super-annuation | Long service leave accrual | | | Options ^(vi) |
| | \$ | \$ | \$ | \$ | \$ | \$ | % | |
| 2020 | | | | | | | | |
| Directors | | | | | | | | |
| Jeremy Kirkwood | 73,333 | - | - | 6,967 | - | 67,813 | 148,113 | 45.78% |
| Daniel Madden ⁽ⁱ⁾ | 336,428 | - | 20,200 | 31,961 | 15,455 | 203,444 | 607,488 | 33.49% |
| Brian Dawes | 45,834 | - | - | 4,354 | - | 47,470 | 97,658 | 48.61% |
| Karen Gadsby | 45,834 | - | - | 4,354 | - | 47,470 | 97,658 | 48.61% |
| Peter Benjamin ⁽ⁱⁱ⁾ | 42,625 | - | - | 4,049 | - | 31,016 | 77,690 | 39.92% |
| Executives | | | | | | | | |
| Shaun Vokes ⁽ⁱⁱⁱ⁾ | 356,904 | 25,000 | - | 28,869 | - | 63,456 | 474,229 | 13.38% |
| Anthony Greenaway ^(iv) | 264,047 | - | - | 25,084 | - | 67,813 | 356,944 | 19.00% |
| | 1,165,005 | 25,000 | 20,200 | 105,638 | 15,455 | 528,482 | 1,859,780 | |
| 2019 | | | | | | | | |
| Directors | | | | | | | | |
| Jeremy Kirkwood | 80,000 | - | - | 7,600 | - | 45,295 | 132,895 | 34.08% |
| Daniel Madden | 350,000 | 25,000 | 20,819 | 35,625 | 5,834 | 165,745 | 603,023 | 31.63% |
| Alan Senior ^(v) | 20,833 | - | - | 1,979 | - | 10,150 | 32,962 | 30.79% |
| Brian Dawes | 50,000 | - | - | 4,750 | - | 31,562 | 86,312 | 36.57% |
| Karen Gadsby | 50,000 | - | - | 4,750 | - | 31,562 | 86,312 | 36.57% |
| Executives | | | | | | | | |
| Shaun Vokes | 265,000 | 10,000 | - | 26,125 | - | 56,222 | 357,347 | 18.53% |
| Anthony Greenaway ^(iv) | 275,000 | - | - | 26,125 | - | 56,222 | 357,347 | 15.73% |
| | 1,090,833 | 35,000 | 20,819 | 106,954 | 5,834 | 396,758 | 1,656,198 | |

(i) Ceased employment as Managing director 1 September 2020, currently still a non-executive director.

(ii) Peter Benjamin was appointed as a Non-Executive Director on 24 July 2019.

(iii) Ceased employment 30 April 2020. Salary and fees include termination payments. Appointed as interim Chief Executive Officer 2 September 2020.

(iv) Ceased employment 7 August 2020.

(v) Alan Senior retired as a Non-Executive Director on 30 November 2018.

(vi) The value of share-based payments shown in the table are non-cash values based on an accounting valuation calculated under the Black Scholes option pricing method. The values above represent the accounting expense recorded over the vesting period of the options. The options were granted in the 2017 and 2019 financial years, with the exception of options granted to Peter Benjamin in November 2019.



REMUNERATION REPORT

SHARE-BASED REMUNERATION GRANTED AS COMPENSATION

Options granted to directors during the financial year were approved by shareholders at the Annual General Meeting of the Company on 26 November 2019. For details of share-based payments granted during the year refer to Note 19.

| Name | Number granted | During the financial year | | | % of compensation for the year consisting of options |
|----------------|----------------|-------------------------------|-------------------|----------------------|--|
| | | Number vested and exercisable | % of grant vested | % of grant forfeited | |
| Peter Benjamin | 1,750,000 | 583,332 | 33% | 0% | 39.92% |

(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.

EXERCISED

No options granted as compensation in the current and/or prior year were exercised.

FORFEITED / LAPSED / CANCELLED DURING THE YEAR

| Number granted | Number forfeited/lapsed/cancelled during the year | Financial Year Granted |
|----------------|---|------------------------|
| Shaun Vokes | 833,333 | FY18/19 |



REMUNERATION REPORT

OTHER INFORMATION

Shares held by Key Management Personnel

| | Opening balance at 1 July | Shares received on exercise of options | Net other change | Balance on resignation | Closing balance at 30 June | Balance held nominally |
|-------------------|---------------------------------|--|---------------------|---------------------------|----------------------------------|---------------------------|
| | Number | Number | Number | Number | Number | Number |
| 2020 | | | | | | |
| Directors | | | | | | |
| Jeremy Kirkwood | 419,000 | - | - | N/A | 419,000 | - |
| Daniel Madden | 50,000 | - | - | N/A | 50,000 | - |
| Brian Dawes | 353,333 | - | - | N/A | 353,333 | 20,000 |
| Karen Gadsby | 311,334 | - | - | N/A | 311,334 | 66,667 |
| Peter Benjamin | - | - | 101,093 | N/A | 101,093 | - |
| Executives | | | | | | |
| Shaun Vokes | - | - | - | N/A | - | - |
| Anthony Greenaway | - | - | - | N/A | - | - |
| | 1,133,667 | - | 101,093 | - | 1,234,760 | 86,667 |
| 2019 | | | | | | |
| Directors | | | | | | |
| Jeremy Kirkwood | 419,000 | - | - | N/A | 419,000 | - |
| Alan Senior | 116,666 | - | - | (116,666) | - | - |
| Daniel Madden | 50,000 | - | - | N/A | 50,000 | - |
| Brian Dawes | 353,333 | - | - | N/A | 353,333 | 20,000 |
| Karen Gadsby | 311,334 | - | - | N/A | 311,334 | 66,667 |
| Executives | | | | | | |
| Shaun Vokes | - | - | - | N/A | - | - |
| Anthony Greenaway | - | - | - | N/A | - | - |
| | 1,250,333 | - | - | (116,666) | 1,133,667 | 86,667 |



REMUNERATION REPORT

Options held by Key Management Personnel

| | Opening balance at 1 July | Granted as remuneration | Options Exercised | Options Lapsed / Cancelled / Forfeited | Balance on resignation | Closing balance at 30 June | Vested but not exercisable | Vested during the year | Vested and exercisable at 30 June |
|-------------------|---------------------------------|----------------------------|----------------------|---|---------------------------|----------------------------------|----------------------------------|------------------------------|---|
| | Number | Number | Number | Number | Number | Number | Number | Number | Number |
| 2020 | | | | | | | | | |
| Directors | | | | | | | | | |
| Jeremy Kirkwood | 2,500,000 | - | - | - | N/A | 2,500,000 | - | 1,666,667 | 1,666,667 |
| Daniel Madden | 7,500,000 | - | - | - | N/A | 7,500,000 | - | 5,000,000 | 5,000,000 |
| Brian Dawes | 1,750,000 | - | - | - | N/A | 1,750,000 | - | 1,166,667 | 1,166,667 |
| Karen Gadsby | 1,750,000 | - | - | - | N/A | 1,750,000 | - | 1,166,667 | 1,166,667 |
| Peter Benjamin | - | 1,750,000 | - | - | N/A | 1,750,000 | - | 583,332 | 583,332 |
| Executives | | | | | | | | | |
| Shaun Vokes | 2,500,000 | - | - | (833,333) | (1,666,667) | - | - | 1,666,667 | 1,666,667 |
| Anthony Greenaway | 2,500,000 | - | - | - | N/A | 2,500,000 | - | 1,666,667 | 1,666,667 |
| | 18,500,000 | 1,750,000 | - | (833,333) | (1,666,667) | 17,750,000 | - | 13,916,667 | 13,916,667 |
| 2019 | | | | | | | | | |
| Directors | | | | | | | | | |
| Jeremy Kirkwood | 750,000 | 2,500,000 | - | (750,000) | N/A | 2,500,000 | - | - | - |
| Daniel Madden | 3,000,000 | 7,500,000 | - | (3,000,000) | N/A | 7,500,000 | - | - | - |
| Alan Senior | 500,000 | - | - | (300,000) | (200,000) | - | - | - | - |
| Brian Dawes | 500,000 | 1,750,000 | - | (500,000) | N/A | 1,750,000 | - | - | - |
| Karen Gadsby | 500,000 | 1,750,000 | - | (500,000) | N/A | 1,750,000 | - | - | - |
| Executives | | | | | | | | | |
| Shaun Vokes | 1,000,000 | 2,500,000 | - | (1,000,000) | N/A | 2,500,000 | - | - | - |
| Anthony Greenaway | 1,000,000 | 2,500,000 | - | (1,000,000) | N/A | 2,500,000 | - | - | - |
| | 7,250,000 | 18,500,000 | - | (7,050,000) | (200,000) | 18,500,000 | - | - | - |

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

Daniel Madden
Non-Executive Director

Perth, 30 September 2020



AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Talisman Mining Limited for the year ended 30 June 2020, 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.

Perth, Western Australia
30 September 2020

L Di Giallonardo
Partner

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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the members of Talisman Mining Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Talisman Mining Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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INDEPENDENT AUDITOR'S REPORT



| Key Audit Matter | How our audit addressed the key audit matter |
|------------------|--|
|------------------|--|

| | |
|--|--|
| <p>Discontinued Operations and Assets and Liabilities Classified as Held for Sale</p> | |
|--|--|

| | |
|---------------|--|
| <p>Note 5</p> | |
|---------------|--|

| | |
|--|--|
| <p>On 27 September 2019, the Group entered into a Share Sale Agreement to sell its current holdings in the Sinclair Project asset which was held by Talisman Nickel Pty Ltd. As a result of this transaction, Talisman Nickel Pty Ltd's assets and liabilities as at 30 June 2019 had been classified as held for sale as at that date. The transaction was completed on 11 October 2019 and the operation has been treated as a discontinued operation for the year ended 30 June 2020.</p> | |
|--|--|

| | |
|--|--|
| <p>The recognition and disclosure of this transaction in the financial report is complex and required significant audit attention, as the Group was required to separate its assets, liabilities and operations into continuing and discontinued operations. This has a significant impact on the disclosure of the financial results and financial position of the Group.</p> | |
|--|--|

| | |
|---|--|
| <p>We considered this to be a key audit matter as it is important to users' understanding of the financial statements as a whole.</p> | |
|---|--|

| | |
|--|---|
| | <p>Our procedures included but were not limited to the following:</p> |
|--|---|

- | | |
|--|---|
| | <ul style="list-style-type: none"> • We ensured that the accounting for this transaction is in line with the requirements of AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>; • We reviewed the Share Sale Agreement giving rise to this transaction; • We considered the fair values of the assets and liabilities being disposed of and recalculated the gain on disposal of this asset together with the overall profit after tax from discontinued operations; and • We ensured that the appropriate disclosures have been made in the financial statements. |
|--|---|

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



INDEPENDENT AUDITOR'S REPORT



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Talisman Mining Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 September 2020

L Di Giallonardo

L Di Giallonardo
Partner



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| | Note | 30 Jun 20 \$ '000 | 30 Jun 19 \$ '000 |
|---|-------------------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 12,937 | 10,591 |
| Trade and other receivables | 9 | 305 | 270 |
| Assets classified as held for sale | 5 ⁽ⁱⁱ⁾ | - | 16,123 |
| Total Current Assets | | 13,242 | 26,984 |
| Non-Current Assets | | | |
| Receivables | 9 | 120 | 120 |
| Property, plant and equipment | 10 | 282 | 334 |
| Right-of-use assets | 11 | 82 | - |
| Intangible assets | 12 | 47 | 55 |
| Deferred exploration and evaluation expenditure | 13 | - | - |
| Total Non-Current Assets | | 531 | 509 |
| Total Assets | | 13,773 | 27,493 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | 379 | 945 |
| Provisions | 16 | 56 | 56 |
| Lease liabilities | 15 | 86 | - |
| Liabilities directly associated with assets held for sale | 5(ii) | - | 9,139 |
| Total Current Liabilities | | 521 | 10,140 |
| Total Liabilities | | 521 | 10,140 |
| Net Assets | | 13,252 | 17,353 |
| Equity | | | |
| Issued capital | 17 | 31,966 | 31,866 |
| Reserves | 18 | 765 | 240 |
| Accumulated losses | 18 | (19,479) | (14,753) |
| Total Equity | | 13,252 | 17,353 |

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 30 Jun 20 \$ '000 | 30 Jun 19 \$ '000 |
|--|------|----------------------|----------------------|
| Continuing operations | | | |
| Revenue | 2 | 204 | 432 |
| Other income | 2 | 25 | 10 |
| Exploration expenditure expensed as incurred | 13 | (3,860) | (3,242) |
| Employee benefits expense | 2 | (2,004) | (1,760) |
| Legal and corporate advisory expenses | 2 | (1,010) | (914) |
| Administrative expenses | | (621) | (871) |
| Occupancy expenses | 2 | (49) | (122) |
| Finance costs | | (6) | (75) |
| Depreciation and amortisation expense | | (224) | (117) |
| Loss before income tax expense from continuing operations | | (7,545) | (6,659) |
| Income tax expense | 3 | - | - |
| Loss after tax from continuing operations | | (7,545) | (6,659) |
| Discontinued operations | | | |
| Profit after tax from discontinued operations | 5 | 2,742 | 52,895 |
| Net (loss) / profit for the year | | (4,803) | 46,236 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income / (loss) for the year | | (4,803) | 46,236 |
| Earnings / (loss) per share: | | | |
| From continuing and discontinued operations: | | | |
| Basic (loss) / earnings per share (cents per share) | 6 | (2.58) | 24.90 |
| Diluted (loss) / earnings per share (cents per share) | 6 | (2.58) | 24.90 |
| From continuing operations: | | | |
| Basic loss per share (cents per share) | 6 | (4.05) | (3.59) |
| Diluted loss per share (cents per share) | 6 | (4.05) | (3.59) |

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 30 Jun 20 \$ `000 | 30 Jun 19 \$ `000 |
|---|----------|----------------------|----------------------|
| | | inflows/(outflows) | |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (2,799) | (3,305) |
| Payments for exploration and evaluation | | (5,199) | (4,758) |
| Transaction finance costs | | (6) | (483) |
| Recovery of exploration costs on sale of subsidiary | | 390 | - |
| Interest received | | 204 | 447 |
| Government grants | | 50 | - |
| Net cash used in operating activities | 8 | (7,360) | (8,099) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (115) | (311) |
| Proceeds from disposal of property, plant and equipment | | 4 | - |
| Proceeds from disposal of entity (net of sale costs) | 5 | 9,868 | 71,230 |
| Reallocation of cash to available for sale assets | 5 | - | (27) |
| Net cash provided by investing activities | | 9,757 | 70,892 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 8 | - | 2,036 |
| Transaction costs relating to borrowings | 8 | - | (105) |
| Repayment of borrowings | 8 | - | (18,628) |
| Repayment of lease liabilities | 15 | (78) | - |
| Dividends paid | 7,18 | - | (11,838) |
| Return of capital | 17 | - | (29,016) |
| Net cash used in financing activities | | (78) | (57,551) |
| Net increase in cash held | | 2,319 | 5,242 |
| Cash previously classified as available for sale | | 27 | - |
| Cash and cash equivalents at the beginning of the period | | 10,591 | 5,349 |
| Cash and cash equivalents at the end of the period | 8 | 12,937 | 10,591 |

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

| | Issued Capital | Accumulated Losses | Dividend Payment Reserve | Share-based Payments Reserve | Total Equity |
|--|-------------------|-----------------------|--------------------------------|------------------------------------|----------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Balance at 1 July 2019 | 31,866 | (14,753) | - | 240 | 17,353 |
| Loss for the year | - | (4,803) | - | - | (4,803) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the year | - | (4,803) | - | - | (4,803) |
| Shares issued during the year | 100 | - | - | - | 100 |
| Recognition of share-based payments | - | - | - | 648 | 648 |
| Unlisted options forfeited | - | - | - | (46) | (46) |
| Unlisted options lapsed | - | 77 | - | (77) | - |
| Balance at 30 June 2020 | 31,966 | (19,479) | - | 765 | 13,252 |
| Balance at 1 July 2018 | 60,882 | (50,917) | - | 1,679 | 11,644 |
| Profit for the year | - | 46,236 | - | - | 46,236 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | 46,236 | - | - | 46,236 |
| Profit set aside for dividend (*) | - | (11,838) | 11,838 | - | - |
| Dividends paid | - | - | (11,838) | - | (11,838) |
| Return of capital | (29,016) | - | - | - | (29,016) |
| Recognition of share-based payments | - | - | - | 372 | 372 |
| Unlisted options forfeited | - | - | - | (45) | (45) |
| Unlisted options cancelled or lapsed | - | 1,766 | - | (1,766) | - |
| Balance at 30 June 2019 | 31,866 | (14,753) | - | 240 | 17,353 |

(*) Transfer of proportion of profit for the year to reserve to facilitate payment of fully franked special dividend of 6.375 cents per ordinary share paid on 21 December 2018.

The accompanying notes form part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Talisman Mining Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol "TLM") and incorporated and operating in Australia.

The Company's Registered Office and its principal place of business are as follows:

Level 11 / 2 Mill Street
Perth
Western Australia 6000

The nature of the operations and principal activities of the Company are described in the Directors' Report.

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Talisman Mining Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated as permitted by the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this instrument applies.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2020

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. Aside from those exempted in AASB 16, the changes result in leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating' and 'finance' leases. The new standard required recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on accumulated losses and comparatives have not been restated.

The Group leases various premises and equipment. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where a Group company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease payments included in the initial measurement of the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflecting the exercise of an option to terminate the lease.

Extension options are included in property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of 12 months or less, or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease

liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities was 5%.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position as at 30 June 2019.

In the Consolidated Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$164,215 and lease liabilities of \$164,215 in respect of all operating leases at 1 July 2019, other than short-term leases and leases of low-value assets.

The net impact on accumulated losses was \$nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

For existing contracts as at 1 July 2019, the Group has elected to apply the definition of lease contained in AASB 117 and Interpretation 4 and has not applied AASB 16 to contracts that were previously not identified as leases under AASB 117 and Interpretation; and

Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of operating lease commitments previously disclosed and lease liabilities on 1 July 2019

Below is a reconciliation of total operating lease

commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019:

| | 2019 |
|---|---------|
| | \$ '000 |
| Operating lease commitments disclosed as at 30 June 2019 | 282 |
| Short term leases recognised on a straight-line basis as an expense | (35) |
| Discounted using the lessee's incremental borrowing rate at date of initial application | (11) |
| Non-lease components and other items | (72) |
| Lease liabilities as at 1 July 2019 | 164 |

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

No other new standards, amendments to standards and interpretations are expected to affect the Group's consolidated financial statements.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2020.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Significant accounting estimates and judgements

The application of accounting policies requires the use of 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 experience 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 are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and Directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by utilising a Black Scholes model, using the assumptions detailed in Note 19.

Provision for restoration and rehabilitation

The provision for restoration and rehabilitation is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Significant estimates and assumptions are made in determining the provision for restoration and rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of restoration and rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at 11 October 2019 represents management's best estimate of the present value of the future restoration and rehabilitation costs required at the date of the sale.

Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves [the JORC Code]). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In estimating the remaining life of the mine for the purposes of amortisation and depreciation calculations, due regard is given, not only to remaining recoverable metals contained in proved and probable ore reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable metals contained in proved and probable ore reserves is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

(e) Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

(f) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTE 2: REVENUE AND EXPENSES

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

Government grants are presented as other income in the statement of profit or loss and other comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue

| | 30 Jun 20 | 30 Jun 19 |
|---------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Bank interest | 204 | 432 |
| | 204 | 432 |

Other Income

| | 30 Jun 20 | 30 Jun 19 |
|-------------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Government grants | 25 | 10 |
| | 25 | 10 |

Other Expenses

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Loss for the year includes the following expenses: | | |
| Non-cash share based payment expense | 602 | 326 |
| Other employee benefits | 1,402 | 1,434 |
| Operating lease rental expense | 49 | 122 |

Legal and Corporate Advisory Expenses

| | 30 Jun 20 | 30 Jun 19 |
|-------------------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Corporate advisory fees | 196 | 610 |
| Other legal fees | 814 | 304 |
| | 1,010 | 914 |

NOTE 3: INCOME TAX

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes

provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable

future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

R&D tax rebates are presented with the government grant approach. The credit will be recognised in profit before tax over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. These periods will then depend on whether the R&D costs are capitalised or expensed as incurred.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$'000 | \$'000 |
| The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows: | | |
| Accounting profit / (loss) before income tax | (4,803) | 46,236 |
| Income tax expense / (benefit) calculated at 30% (2019: 30%) | (1,441) | 13,871 |
| Non-deductible expenses | 183 | 103 |
| Tax losses and deferred tax balances not recognised | 1,258 | (13,974) |
| Income tax benefit reported in the statement of comprehensive income | - | - |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$'000 | \$'000 |
| Unrecognised deferred tax balances | | |
| Deferred tax assets comprise of: | | |
| Tax losses carried forward | 4,288 | 2,797 |
| Impairment of financial assets | 45 | 45 |
| Provisions | 55 | 73 |
| Other deferred tax balances | 25 | 342 |
| | 4,413 | 3,257 |
| Deferred tax liabilities comprise of: | | |
| Exploration expenditure capitalised | - | 113 |
| Other deferred tax balances | 26 | - |
| | 26 | 113 |
| Income Tax expense not recognised directly in equity during the year | - | - |

Tax consolidation legislation

The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

The Company recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising

from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 4: SEGMENT REPORTING

Talisman management has determined the operating segments based on the reports reviewed by the Board for strategic decision making. The Group operates in one geographical segment, being Australia and has identified the following continuing operating segment: Regional Exploration.

The discontinued operation in the current period is identified as the Sinclair operation and represented the Group's 100% interest in the Sinclair Nickel Project (**Sinclair**) until 11 October 2019 when Talisman sold its interest to Saracen Mineral Holdings Ltd (**Saracen**). Refer to Note 5.

The Monty Operation represented the Group's 30% joint venture interest in the Monty Cu-Au Project (Monty). Sandfire Resources NL (Sandfire) acquired the Group's 30% interest in Monty, which was held by Talisman A Pty Ltd, on 2 October 2018. For further information see Note 5.

The Group's board and General Manager of Geology are responsible for budgets and expenditures relating to the Group's Regional Exploration activities. Regional Exploration activities do not normally derive any income. Should a project generated by Regional Exploration activities commence generating income or lead to the development of a mining operation, that operation would then be disaggregated from Regional Exploration and become reportable in a different segment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment Results

| | Continued Operations | | Discontinued Operations | | Consolidated \$ '000 |
|---|----------------------|----------|-------------------------|-------------------|-------------------------|
| | Regional Exploration | Sinclair | Monty Project | Unallocated Items | |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | |
| 30 June 2020 | | | | | |
| Segment revenues / income | - | - | - | 229 | 229 |
| Segment profit / (loss) before income tax expense | (3,840) | 2,742 | - | (3,705) | (4,803) |
| Segment assets | 512 | - | - | 13,260 | 13,772 |
| Segment liabilities | (48) | - | - | (472) | (520) |
| 30 June 2019 | | | | | |
| Segment revenues / income | - | - | 15 | 442 | 457 |
| Segment (loss)/profit before income tax expense | (3,582) | (2,952) | 55,847 | (3,077) | 46,236 |
| Segment assets | 389 | 16,123 | - | 10,981 | 27,493 |
| Segment liabilities | (472) | (9,139) | - | (529) | (10,140) |

NOTE 5: DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal groups) and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary, after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale.

Any retained portion of an investment in an associate or joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

During the year, the Company completed a Share Sale Agreement with Saracen Nickel Pty Ltd, a wholly owned subsidiary of Saracen Mineral Holdings Limited (Saracen), where Saracen acquired Talisman Nickel Pty Ltd, the subsidiary which held the Company's interest in the Sinclair Nickel Project on a debt-free and cash-free basis. Completion occurred on 11 October 2019. At 30 June 2019, the Group had assets classified as held for sale of \$16.123 million and liabilities directly associated with assets held for sale of \$9.139 million in relation to Talisman Nickel Pty Ltd.

During the prior year, the Company completed a Share Sale Agreement with Sandfire Resources NL (Sandfire), its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the Doolgunna Project), where Sandfire acquired Talisman A Pty Ltd, the subsidiary which held the Company's 30% interest in the Doolgunna Project on a debt-free and cash-free basis. Completion occurred on 12 October 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Profit after tax from discontinued operations

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$ '000 | \$ '000 |
| <i>Financial performance of discontinued operations</i> | | |
| Gain on disposal of subsidiary | 3,168 | 56,973 |
| Other Income | - | 36 |
| Expenses | | |
| Exploration expenditure written off | - | (803) |
| Exploration expenditure expensed as incurred | (245) | (1,394) |
| Care and maintenance expenses | (104) | (512) |
| Administrative expenses | (1) | - |
| Finance costs | - | (409) |
| Realised foreign exchange | - | (732) |
| Unwinding of discount on provisions | (76) | (264) |
| Profit before income tax | 2,742 | 52,895 |
| Income tax | - | - |
| Profit after income tax | 2,742 | 52,895 |

Financial performance from discontinued operations

The current year financial performance presented is for the period 1 July 2019 to the date of disposal, 11 October 2019:

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$ '000 | \$ '000 |
| <i>Financial performance of discontinued operations</i> | | |
| Other Income | - | 21 |
| Expenses | | |
| Exploration expenditure written off | - | (803) |
| Exploration expenditure expensed as incurred | (245) | (1,394) |
| Care and maintenance expenses | (104) | (512) |
| Administrative expenses | (1) | - |
| Unwinding of discount on provisions | (76) | (264) |
| Profit/(Loss) before income tax | (426) | (2,952) |
| Income tax | - | - |
| Profit/(Loss) after income tax | (426) | (2,952) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consideration received or receivable on the sale of Talisman Nickel Pty Ltd

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$ '000 | \$ '000 |
| Disposal consideration (including working capital adjustment) | 10,390 | - |
| Less: net assets on disposal | (7,090) | - |
| Less: costs of sale paid or payable | (132) | - |
| Gain on disposal before income tax | 3,168 | - |
| Income tax expense ¹ | - | - |
| Gain on disposal after income tax | 3,168 | - |
| Loss for the period from discontinued operation – Talisman Nickel Pty Ltd | (426) | (2,952) |
| Profit/(loss) after tax from discontinued operation | 2,742 | (2,952) |

¹ The tax expense related to the gain on disposal of Talisman Nickel Pty Ltd has been offset by available brought forward income tax losses. These income tax losses relate to numerous components of the Group's activities over several years and as a result, it is considered impracticable to calculate the amount that would relate to the discontinued operation.

Consideration received or receivable on the sale of Talisman A Pty Ltd

During the prior year, the Company completed a Share Sale Agreement with Sandfire Resources NL (Sandfire), its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the Doolgunna Project Joint Venture) whereby Sandfire acquired Talisman A Pty Ltd, the subsidiary which held the Company's 30% interest in the Doolgunna Project Joint Venture, on a debt-free and cash-free basis. Completion of the sale transaction occurred on 12 October 2018. At 30 June 2018, the Group had assets classified as held for sale of \$21.35 million and liabilities associated with assets held for sale of \$17.774 million in relation to Talisman A Pty Ltd.

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$ '000 | \$ '000 |
| Disposal consideration | - | 72,300 |
| Less: net asset disposal of Talisman A Pty Ltd | - | (2,451) |
| Less: costs of sale paid | - | (855) |
| Gain on disposal before settlement of project financing | - | 68,994 |
| Repayment of loan project financing out of disposal consideration | - | (12,021) |
| Gain on disposal before income tax | - | 56,973 |
| Income tax expense ¹ | - | - |
| Gain on disposal after income tax | - | 56,973 |
| Loss for the period from discontinued operation | - | (1,126) |
| Profit after tax from discontinued operation | - | 55,847 |

¹ The tax expense related to the gain on disposal of Talisman A Pty Ltd has been offset by available brought forward income tax losses. These income tax losses relate to numerous components of the Group's activities over several years and as a result, it is considered impracticable to calculate the amount that would relate to the discontinued operation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Net assets of Talisman Nickel Pty Ltd at the date of sale and classified as held for sale at 30 June 2019

| | 30 June 20 | 30 Jun 19 |
|---|------------|-----------|
| | \$ '000 | \$ '000 |
| Cash | - | 27 |
| Trade and other receivables | - | 241 |
| Inventory | - | 22 |
| Deferred exploration and evaluation expenditure | - | 13,197 |
| Property, plant and equipment | - | 2,636 |
| Total assets | - | 16,123 |
| Trade creditors | - | 83 |
| Rehabilitation provision | - | 9,056 |
| Total liabilities | - | 9,139 |
| Net assets | - | 6,984 |

Net cash inflow on disposal

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Total cash and cash equivalents consideration received | 10,390 | 72,300 |
| Working capital adjustment | (390) | (214) |
| Net cash and cash equivalents disposed of | - | - |
| Net cash received on disposal | 10,000 | 72,086 |
| Less: costs of sale paid | (132) | (856) |
| Proceeds from disposal of entity (net of sale costs) | 9,868 | 71,230 |

Cash flows

The current year Talisman Nickel Pty Ltd cash flows presented for the period 1 July 2019 to the date of disposal, 11 October 2019, included in the various categories in the consolidated statement of cash flows:

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Net cash flows from operating activities | (478) | (612) |
| Net cash flows from investing activities | - | - |
| Net cash flows from financing activities | 451 | 625 |
| Net cash flows | (27) | 24 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: EARNINGS/LOSS PER SHARE

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;

- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

The Group does not report diluted earnings per share on incurring an operating loss for the financial year, or in the event there are no dilutive potential ordinary shares in existence.

| | 30 Jun 20 | 30 Jun 19 |
|---|---------------|---------------|
| | cents | cents |
| Basic earnings / (loss) per share | (2.58) | 24.90 |
| Diluted earnings per share | (2.58) | 24.90 |
| Basic loss per share from continuing operations | (4.05) | (3.59) |
| Diluted loss per share from continuing operations | (4.05) | (3.59) |
| | \$ | \$ |
| Net profit / (loss) for the year | (4,803) | 46,236 |
| Net loss for the year from continuing operations | (7,545) | (6,659) |
| | Number | Number |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings / (loss) per share | 186,318,883 | 185,699,879 |

NOTE 7: DIVIDENDS

Dividends declared and paid during the year

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Special franked dividend (2019: 6.375 cents) | - | 11,838 |

The special dividend was franked to 100% and was paid on 21 December 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: CASH AND CASH EQUIVALENTS

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

| | 30 Jun 20 | 30 Jun 19 |
|--------------------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Cash at bank and on hand | 1,357 | 511 |
| Short-term deposits | 11,580 | 10,080 |
| | 12,937 | 10,591 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Profit / (loss) for the year after tax | (4,803) | 46,236 |
| Adjustments for: | | |
| Gain on disposal of business | (3,168) | (56,973) |
| Working capital adjustment on disposal of business | 390 | - |
| Depreciation and amortisation | 224 | 117 |
| Unwinding discount rate on mine closure provision | 76 | 264 |
| Equity settled share-based payments | 648 | 372 |
| Unlisted options forfeited | (46) | (45) |
| Share issued for expensed exploration expenditure | 100 | - |
| Unrealised foreign exchange | - | 47 |
| Exploration expenditure written off | - | 803 |
| Transaction costs related to loans and borrowings | - | 105 |
| Changes in net assets and liabilities | | |
| <i>(Increase)/decrease in assets:</i> | | |
| Trade and other receivables | 35 | (268) |
| <i>Increase/(decrease) in liabilities:</i> | | |
| Trade and other payables | (826) | 1,237 |
| Provisions | 10 | 6 |
| Net cash used in operating activities | (7,360) | (8,099) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Change in liabilities arising from financing activities

| | Consolidated | | Total \$ `000 |
|---|--|--|------------------|
| | Project Finance Facility \$ `000 | Working Capital Facility \$ `000 | |
| 30 June 2020 | | | |
| Opening balance | - | - | - |
| Closing balance | - | - | - |
| 30 June 2019 | | | |
| Opening balance | - | - | - |
| Prior year re-classification of financing liabilities as available for sale | 15,559 | - | 15,559 |
| Foreign currency differences | 1,033 | - | 1,033 |
| Net cash from financing activities | - | 2,036 | 2,036 |
| Net cash (used in) financing activities | (16,592) | (2,036) | (18,628) |
| Other changes | - | - | - |
| Closing balance | - | - | - |

NOTE 9: TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 45 days. There are no receivables at balance date that are past-due.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known

significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

| | 30 Jun 20 \$ `000 | 30 Jun 19 \$ `000 |
|------------------------------------|----------------------|----------------------|
| Current Assets | | |
| Goods and services tax recoverable | 36 | 113 |
| Other debtors | 198 | 65 |
| Prepayments | 71 | 92 |
| | 305 | 270 |
| Non-Current Assets | | |
| Other debtors – security bonds | 120 | 120 |
| | 120 | 120 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|--------------------------------|---------------------|
| Mine site plant and equipment | Units of Production |
| Office furniture and equipment | 2-6 years |
| Motor vehicles | 8-10 years |
| Leasehold improvements | 10 years |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Consolidated | | | | |
|---|-----------------------------------|--------------------------------|------------------------|-------------------|---------|
| | Office furniture and equipment | Leasehold improve- ments | Plant and equipment | Motor vehicles | Total |
| | \$ `000 | \$ `000 | \$ `000 | \$ `000 | \$ `000 |
| Year ended 30 June 2020 | | | | | |
| At 1 July 2019, net of accumulated depreciation | 155 | 24 | - | 155 | 334 |
| Additions | 40 | 4 | - | - | 44 |
| Disposals | - | - | - | - | - |
| Reclass to available for sale assets (i) | - | - | - | - | - |
| Depreciation charge for the year | (60) | (7) | - | (29) | (96) |
| | 135 | 21 | - | 126 | 282 |
| Year ended 30 June 2019 | | | | | |
| At 1 July 2018, net of accumulated depreciation | 103 | - | 2,636 | 33 | 2,772 |
| Additions | 101 | 26 | - | 150 | 277 |
| Disposals | - | - | - | - | - |
| Reclass to available for sale assets (i) | - | - | (2,636) | - | (2,636) |
| Depreciation charge for the year | (49) | (2) | - | (28) | (79) |
| | 155 | 24 | - | 155 | 334 |
| At 30 June 2020 | | | | | |
| Cost or fair value | 844 | 56 | - | 427 | 1,327 |
| Accumulated depreciation | (709) | (35) | - | (301) | (1,045) |
| Net carrying amount | 135 | 21 | - | 126 | 282 |
| At 30 June 2019 | | | | | |
| Cost or fair value | 804 | 52 | - | 427 | 1,283 |
| Accumulated depreciation | (649) | (28) | - | (272) | (949) |
| Net carrying amount | 155 | 24 | - | 155 | 334 |

(i) Refer Note 5.

The carrying value of plant and equipment held under hire purchase contracts as at 30 June 2020 is nil (2019: nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: RIGHT-OF-USE ASSETS

Carrying Value

| | Consolidated | |
|-----------------------------------|--------------|---------|
| | Premises | Total |
| | \$ '000 | \$ '000 |
| Cost | 164 | 164 |
| Accumulated depreciation | (82) | (82) |
| Carrying value as at 30 June 2020 | 82 | 82 |

Reconciliation

| | Consolidated | |
|--|--------------|---------|
| | Premises | Total |
| | \$ '000 | \$ '000 |
| 30 June 2020 | | |
| Recognised on 1 July 2019 on adoption of AASB 16 | 164 | 164 |
| Depreciation expense | (82) | (82) |
| Closing balance | 82 | 82 |

AASB 16 has been adopted during the year. Refer note 1 for details.

NOTE 12: INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

| | 30-Jun-20 | 30-Jun-19 |
|---|-----------|-----------|
| | \$ '000 | \$ '000 |
| Software license | | |
| Cost | 146 | 110 |
| Accumulated amortisation | (99) | (55) |
| Carrying value at end of financial year | 47 | 55 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration for and evaluation of Mineral Resources is the search for Mineral Resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the Mineral Resource.

Exploration and evaluation expenditure is expensed to the profit or loss as incurred except in the following circumstances in which case the expenditure may be capitalised:

- the existence of a mineral deposit has been established however additional expenditure is required to determine the technical feasibility and commercial viability of extraction and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure; and

- the exploration and evaluation activity is within an area of interest which was acquired as an asset acquisition or in a business combination and measured at fair value on acquisition.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in the statement of comprehensive income. 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 carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Upon approval for the commercial development of an area of interest, exploration and evaluation assets are tested for impairment and transferred to 'Mine properties and development'. No amortisation is charged during the exploration and evaluation phase.

| | 30-Jun-20 | 30-Jun-19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Costs carried forward in respect of areas of interest in the following phases: | | |
| Exploration and evaluation phase – at cost | | |
| Balance at beginning of year | - | 14,000 |
| Expenditure incurred | 3,860 | 4,636 |
| | 3,860 | 18,636 |
| Exploration expensed as incurred | (3,860) | (4,636) |
| Expenditure written off | - | (803) |
| Reclass to available for sale assets (Note 5) | - | (13,197) |
| Carrying value at end of financial year | - | - |

The recoupment of costs carried forward in relation to the areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or the sale of the respective areas.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Life to date project expenditure expensed | Project Expenditure expensed in the period | Life to date project expenditure expensed | Project Expenditure expensed in the period |
|----------------------------|---|--|---|--|
| | 30 Jun 20 | | 30 Jun 19 | |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Sinclair ⁽ⁱ⁾ | - | - | 8,069 | 2,197 |
| Springfield ⁽ⁱ⁾ | - | - | 28,056 | - |
| Halloween West JV | - | - | 587 | - |
| Lachlan Copper | 8,198 | 3,474 | 4,724 | 3,242 |
| Lucknow | 367 | 367 | - | - |
| Other Exploration Expenses | 109 | 19 | 90 | - |
| | 8,674 | 3,860 | 41,526 | 5,439 |

(i) Includes the previous Halloween Project. Project sold October 2018.

(ii) Project sold in October 2019

NOTE 14: TRADE AND OTHER PAYABLES

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

| | 30 Jun 20 | 30 Jun 19 |
|-------------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Current | | |
| Trade payables | 202 | 696 |
| Employee benefits | 126 | 168 |
| Other payables | 51 | 81 |
| | 379 | 945 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: LEASE LIABILITIES

| | Consolidated | |
|-------------------------|--------------|---------|
| | Premises | Total |
| | \$ '000 | \$ '000 |
| Current liabilities | 86 | 86 |
| Non-current liabilities | - | - |
| | 86 | 86 |

Reconciliation

| | Consolidated | |
|--|--------------|---------|
| | Premises | Total |
| | \$ '000 | \$ '000 |
| Recognised on 1 July 2019 on adoption of AASB 16 | 164 | 164 |
| Principal repayments | (78) | (78) |
| Closing balance | 86 | 86 |

AASB 16 has been adopted during the year. Refer note 1 for details.

The Group leases office premises in Perth, Western Australia. The lease term is 3 years, expiring in July 2021.

Underlying assets serve as security for the related lease liabilities. A maturity analysis of future minimum lease payments is presented below:

| | Lease payments due | | |
|--------------------|--------------------|-----------|---------|
| | <1 year | 1-2 years | Total |
| | \$ '000 | \$ '000 | \$ '000 |
| Lease payments | 90 | - | 90 |
| Interest | (4) | - | (4) |
| Net present values | 86 | - | 86 |

Lease payments not recognised as a liability

Lease payments expensed during the period and thus not included in the measurement of the lease liability are as follows:

| | 30 Jun 20 |
|-------------------|-----------|
| | \$ '000 |
| Short term leases | 88 |

At 30 June 2020 the Group was committed to short-term leases, giving rise to total commitments of \$88,820 at that date. Total cash outflow relating to leases for the period ended 30 June 2020 was \$84,123.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: PROVISIONS

Employee benefits

The provision for employee benefits represents vested long service leave entitlements accrued.

The liability for long service leave is recognised in the

provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

| | Employee Benefits | |
|--|-------------------|------------------|
| | \$ '000 | |
| Balance at beginning of financial year | | 56 |
| Long service leave arising during the year | | 15 |
| Long service leave taken during the year | | (15) |
| Balance at the end of financial year | | 56 |
| | 30 Jun 20 | 30 Jun 19 |
| | \$ '000 | \$ '000 |
| Current | | |
| Employee benefits | 56 | 56 |
| | 56 | 56 |

NOTE 17: ISSUED CAPITAL

| | 30 Jun 20 | | 30 Jun 19 | |
|---|---------------|------------------|---------------|------------------|
| | \$ | | \$ | |
| Ordinary shares | | | | |
| Issued and fully paid | 31,966,023 | | 31,866,023 | |
| | | | | |
| | | 30 Jun 20 | | 30 Jun 19 |
| | Number | \$ | Number | \$ |
| Movements in ordinary shares on issue | | | | |
| At 1 July | 185,699,869 | 31,866,023 | 185,699,879 | 60,881,617 |
| Return of capital ⁽ⁱ⁾ | - | - | - | (29,015,514) |
| Issue of shares to Lucknow Gold ⁽ⁱⁱ⁾ | 928,506 | 100,000 | - | - |
| At 30 June | 186,628,475 | 31,966,023 | 185,699,879 | 31,866,023 |

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

(i) On 8 March 2019 the Company returned capital of 15.625 cents per share to all shareholders (by equal capital reduction).

(ii) On 30 October 2019 the Company issued 928,506 shares to Lucknow Gold Ltd ('Lucknow') in satisfaction of subsidiary Haverford Holdings Pty Ltd's obligation to pay the first \$100,000 to Lucknow pursuant to a Farm-In Agreement executed on 26 August 2019. Ordinary shares entitled the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share Options

The Company has one share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain Directors, other key management personnel and all employees, refer Note 19.

NOTE 18: RESERVES AND ACCUMULATED LOSSES

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to Note 19 for further details of these plans.

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ '000 | \$ '000 |
| Accumulated Losses | | |
| Balance at beginning financial year | (14,753) | (50,917) |
| Net profit / (loss) for the year | (4,803) | 46,236 |
| Dividends paid | - | (11,838) |
| Transfer on unlisted options forfeited | 77 | 1,766 |
| Balance at end of financial year | (19,479) | (14,753) |
| Reserves | | |
| Share-based payment reserve | 765 | 240 |
| Balance at end of financial year | 765 | 240 |

Movement in these reserves are set out in the Statement of Changes in Equity.

NOTE 19: SHARE-BASED PAYMENT PLANS

Executive and Employee Equity Plan ("EEEP")

The Group has an Executive and Employee Equity Plan ("EEEP") for executives and employees of the Group. In accordance with the provisions of the EEEP, 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 nor 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 EEEP not exceeding 5% of the Company's issued capital at any one time.

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

The contractual life of each option granted is 2 to 5 years. There are no cash settlement alternatives.

The following options lapsed during the financial year:

| Grant Date | Expiry date of options | Number of shares under option | Exercise price of options | Fair Value | Vested Date | Number Lapsed |
|------------|------------------------|-------------------------------|---------------------------|------------|-------------|---------------|
| 11-Nov-16 | 31-Oct-19 | 150,000 | \$0.364 | \$0.270 | 30-Jun-17 | (150,000) |
| 11-Nov-16 | 31-Oct-19 | 140,000 | \$0.404 | \$0.230 | 30-Jun-18 | (140,000) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following options were issued during the financial year to Peter Benjamin:

| Issuing entity | Grant Date | Expiry date of options | Number of shares under option | Exercise price of options | Fair Value | Vested Date |
|-------------------------|------------|------------------------|-------------------------------|---------------------------|------------|-------------|
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.14 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.16 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.18 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.14 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.16 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.18 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.14 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.16 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,448 | \$0.18 | \$0.04 | 30-May-21 |

The following share-based arrangements were in place at the end of the financial year:

| Issuing entity | Grant Date | Expiry date of options | Number of shares under option | Exercise price of options | Fair Value | Vested Date |
|-------------------------|------------|------------------------|-------------------------------|---------------------------|------------|-------------|
| Talisman Mining Limited | 11-Nov-16 | 31-Oct-21 | 40,000 | \$0.46 | \$0.32 | 30-Jun-19 |
| Talisman Mining Limited | 11-Nov-16 | 31-Oct-21 | 40,000 | \$0.50 | \$0.32 | 30-Jun-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,002 | \$0.14 | \$0.03 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.14 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,001 | \$0.16 | \$0.03 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.16 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 2,500,000 | \$0.18 | \$0.02 | 31-Oct-19 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-20 | 194,444 | \$0.18 | \$0.02 | 30-May-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,500,002 | \$0.14 | \$0.04 | 30-Apr-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.14 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,499,999 | \$0.16 | \$0.04 | 30-Apr-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.16 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 2,499,998 | \$0.18 | \$0.04 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-21 | 194,444 | \$0.18 | \$0.03 | 30-Nov-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,447 | \$0.14 | \$0.05 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.14 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,443 | \$0.16 | \$0.05 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,444 | \$0.16 | \$0.04 | 30-May-21 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 2,194,442 | \$0.18 | \$0.04 | 31-Oct-20 |
| Talisman Mining Limited | 27-Nov-19 | 31-Oct-22 | 194,448 | \$0.18 | \$0.04 | 30-May-21 |

The weighted average exercise price of each share option at the end of the financial year was \$0.16 (2019: \$0.16). The weighted average remaining contract life of each share option at the end of the financial year was 1.30 years (2019: 2.31 years).

There has been no alteration of the terms and conditions of the above share-based payment arrangements since grant date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following options were forfeited during the year:

| Issuing entity | Grant Date | Expiry date of options | Number of shares under option | Exercise price of options | Fair Value | Vested Date |
|-------------------------|------------|------------------------|-------------------------------|---------------------------|------------|-------------|
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 27,778 | \$0.14 | | 31-Oct-19 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 27,778 | \$0.16 | | 31-Oct-19 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-20 | 27,778 | \$0.18 | | 31-Oct-19 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 27,778 | \$0.14 | | 30-Apr-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 27,778 | \$0.16 | | 30-Apr-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-21 | 27,777 | \$0.18 | | 30-Apr-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 333,334 | \$0.14 | | 31-Oct-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 333,334 | \$0.16 | | 31-Oct-20 |
| Talisman Mining Limited | 7-May-19 | 31-Oct-22 | 333,331 | \$0.18 | | 31-Oct-20 |

| | 30 Jun 20 | | 30 Jun 19 | |
|---|-------------|----------|-------------|-------------|
| | Number | \$ | Number | \$ |
| Movements in options over ordinary shares on issue | | | | |
| At 1 July | 23,120,000 | 239,783 | 7,925,000 | 1,678,836 |
| Directors' and employees' remuneration | 1,750,000 | 648,209 | 22,750,000 | 371,164 |
| Unlisted options forfeited | (1,166,666) | (46,029) | (200,000) | (44,670) |
| Unlisted options cancelled | - | - | (5,600,000) | (1,359,616) |
| Unlisted options lapsed | (290,000) | (77,356) | (1,755,000) | (405,932) |
| At 30 June | 23,413,334 | 764,607 | 23,120,000 | 239,783 |

The fair value of options granted during the year was \$53,861 (2019: \$837,523).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

November 2019 Options

| Inputs into model | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Exercise price | \$ 0.14 | \$ 0.16 | \$ 0.18 | \$ 0.14 | \$ 0.16 | \$ 0.18 | \$ 0.14 | \$ 0.16 | \$ 0.18 |
| Grant date share price (5 day VWAP) | \$0.089 | \$0.089 | \$0.089 | \$0.089 | \$0.089 | \$0.089 | \$0.089 | \$0.089 | \$0.089 |
| Expected volatility | 98% | 98% | 98% | 98% | 98% | 98% | 98% | 98% | 98% |
| Risk-free interest rate | 0.77% | 0.77% | 0.77% | 0.77% | 0.77% | 0.77% | 0.77% | 0.77% | 0.77% |
| Dividend yield (%) | Nil |
| Expected life of options (years) | 0.93 | 0.93 | 0.93 | 1.93 | 1.93 | 1.93 | 2.93 | 2.93 | 2.93 |

May 2019 Options

| Inputs into model | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Exercise price | \$ 0.14 | \$ 0.16 | \$ 0.18 | \$ 0.14 | \$ 0.16 | \$ 0.18 | \$ 0.14 | \$ 0.16 | \$ 0.18 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

May 2019 Options

| Inputs into model | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Grant date share price (5 day VWAP) | \$0.088 | \$0.088 | \$0.088 | \$0.088 | \$0.088 | \$0.088 | \$0.088 | \$0.088 | \$0.088 |
| Expected volatility | 98% | 98% | 98% | 98% | 98% | 98% | 98% | 98% | 98% |
| Risk-free interest rate | 1.67% | 1.67% | 1.67% | 1.67% | 1.67% | 1.67% | 1.67% | 1.67% | 1.67% |
| Dividend yield (%) | Nil |
| Expected life of options (years) | 1.50 | 1.50 | 1.50 | 2.50 | 2.50 | 2.50 | 3.50 | 3.50 | 3.50 |

November 2016 Options

| Inputs into model | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| Exercise price | \$ 0.48 | \$ 0.52 | \$ 0.56 | \$ 0.62 | \$ 0.66 |
| Exercise price post capital return ⁽ⁱ⁾ | \$ 0.32 | \$ 0.36 | \$ 0.40 | \$ 0.46 | \$ 0.50 |
| Grant date share price (5 day VWAP) | \$ 0.425 | \$ 0.425 | \$ 0.425 | \$ 0.425 | \$ 0.425 |
| Expected volatility | 113% | 113% | 113% | 113% | 113% |
| Risk-free interest rate | 1.77% | 1.77% | 1.77% | 1.77% | 1.77% |
| Dividend yield (%) | Nil | Nil | Nil | Nil | Nil |
| Expected life of options (years) | 2.00 | 3.00 | 3.00 | 5.00 | 5.00 |

(i) Exercise price adjusted after 15.625 cents per share return of capital on 8 March 2019. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 20: FINANCIAL INSTRUMENTS

(a) Introduction

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Capital risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's aim is to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Categories of financial instruments (includes assets classified as held for sale and associated liabilities)

| | 30 Jun 20 | 30 Jun 19 |
|------------------------------|-----------|-----------|
| | \$ '000 | \$ '000 |
| Financial assets | | |
| Cash and cash equivalents | 12,937 | 10,618 |
| Receivables | 305 | 285 |
| | 13,242 | 10,903 |
| Financial liabilities | | |
| Trade and other payables | 379 | 1,028 |
| Lease liabilities | 86 | - |
| | 465 | 1,028 |

Fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1.

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

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(d) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's and the Group's expected contractual maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial asset and liabilities based on the earliest date the Group can be required to repay. The tables include both interest and principal cash flows.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | 5+ years | No fixed term | Total |
|------------------------------|----------------------|------------------|-----------------------|-----------------|----------|------------------|---------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| 2020 | | | | | | | |
| Financial Assets | | | | | | | |
| Non-interest bearing | 108 | - | - | - | - | 197 | 305 |
| Variable interest rate | 1,357 | - | - | - | - | - | 1,357 |
| Fixed interest rate | - | 11,580 | - | - | - | - | 11,580 |
| | 1,465 | 11,580 | - | - | - | 197 | 13,242 |
| Financial Liabilities | | | | | | | |
| Non-interest bearing | 253 | - | 126 | - | - | - | 379 |
| Fixed interest rate | - | - | - | - | - | - | - |
| | 253 | - | 126 | - | - | - | 379 |
| 2019 | | | | | | | |
| Financial Assets | | | | | | | |
| Non-interest bearing | 114 | - | - | - | - | 51 | 165 |
| Variable interest rate | 538 | - | - | - | - | - | 538 |
| Fixed interest rate | - | 80 | 10,120 | - | - | - | 10,200 |
| | 652 | 80 | 10,120 | - | - | 51 | 10,903 |
| Financial Liabilities | | | | | | | |
| Non-interest bearing | 841 | - | 187 | - | - | - | 1,028 |
| Fixed interest rate | - | - | - | - | - | - | - |
| | 841 | - | 187 | - | - | - | 1,028 |

(e) Interest rate risk

The Group is not exposed to interest rate risk on existing finance facilities as the Group's borrowings are at fixed interest rates for the respective terms of the facilities. (Refer to Note 15).

Some of the Group's assets are subject to interest rate risk but the Group is not dependent on this income.

Interest rate sensitivity analysis

The sensitivity analysis of the Group's exposure to interest rate risk at the reporting date has been determined based on a 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 Group's

net loss would have reduced by \$6,778 (2019: net profit increased by \$2,688).

(f) Capital risk 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 Group consists of equity only, comprising issued capital and reserves, net of accumulated losses.

The Group's policy is to use capital market issues and debt funding to meet the funding requirements of the Group.

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

The Group is not subject to externally imposed capital requirements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(g) Foreign currency exchange rate risk management

The Group undertakes certain borrowing transactions denominated in United States Dollars, hence exposures to exchange rate fluctuations arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at balance date are as follows:

| | Consolidated | | | |
|------------|--------------|--------|--------|--------|
| | Liabilities | | Assets | |
| | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| US Dollars | - | 21 | 1 | 1 |

Foreign currency sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to an increase/decrease in the Australian dollar against the United States dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including external loans within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower and adjusts their translation at balance date by a 1% increase in foreign currency rates

A 1% increase in the currency rate is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the possible change in foreign exchange rates.

At balance date, if foreign exchange rates had been 1% higher and all other variables were held constant, the Group's

- net loss would increase by \$10 (2019: net profit increase of \$291) and
- equity reserves would increase/decrease by \$Nil (2019: \$Nil).

NOTE 21: COMMITMENTS AND CONTINGENCIES

Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are not provided for in the financial report and are payable as follows:

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$'000 | \$'000 |
| Exploration expenditure | | |
| Within one year | 1,147 | 2,971 |
| After one year but not more than five years | 2,873 | 10,814 |
| Greater than five years | - | 13,229 |
| | 4,020 | 27,014 |

If the Group decides to relinquish certain exploration tenements and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

There are no material contingent liabilities or assets as at 30 June 2020 and no contingent liabilities or assets were incurred in the interval between the period end and the date of this financial report.

NOTE 22: RELATED PARTY DISCLOSURES

Other transactions with key management personnel

No member of the key management personnel appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Details of key management personnel

The key management personnel of Talisman Mining Limited during the year were:

Directors

| | |
|-----------------|--|
| Jeremy Kirkwood | Non-Executive Chairman (resigned as Chairman 15 July 2020) |
| Daniel Madden | Managing Director (resigned as Managing Director on 1 September 2020, remains as a Non-Executive Director) |
| Brian Dawes | Non-Executive Director |
| Karen Gadsby | Non-Executive Director |
| Peter Benjamin | Non-Executive Director (appointed 24 July 2019) |

Executives

| | |
|-------------------|--|
| Shaun Vokes | Chief Financial Officer/ Co-Company Secretary (ceased 30 April 2020) |
| Anthony Greenaway | General Manager – Geology (ceased 7 August 2020) |

Key management personnel compensation is disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited.

The total remuneration paid to key management personnel of the Company and the Group during the year was as follows:

| | 30 Jun 20 | 30 Jun 19 |
|---|-----------|-----------|
| | \$ | \$ |
| Short-term employee benefits | 1,210,205 | 1,146,652 |
| Post-employment benefits | 105,638 | 106,954 |
| Other long-term benefits | 15,455 | 5,834 |
| Share-based payments ⁽ⁱ⁾ | 528,482 | 396,758 |
| Total key management personnel compensation | 1,859,780 | 1,656,198 |

(i) The value of share-based payments shown in the table above are non-cash values based on an accounting valuation calculated under the Black Scholes option pricing method.

NOTE 23: INTEREST IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Talisman Mining Limited and the subsidiaries listed in the following table:

| Name | Country of Incorporation | Equity Interest | | Investment | |
|----------------------------|--------------------------|-----------------|------|------------|--------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | % | % | \$ | \$ |
| Talisman Nickel Pty Ltd | Australia | - | 100 | - | 1 |
| Haverford Holdings Pty Ltd | Australia | 100 | 100 | 68,000 | 68,000 |
| Talisman B Pty Ltd | Australia | 100 | - | 1 | - |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Talisman Mining Limited is the ultimate parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

Details of transactions between the Group and other related entities are disclosed below.

NOTE 24: PARENT ENTITY DISCLOSURES

The financial information for the parent entity, Talisman Mining Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's

financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Disclosures as at 30 June 2020 and for the year then ended in relation to Talisman Mining Limited as a single entity are noted below.

| | 30 Jun 20 | 30 Jun 19 |
|-----------------------------------|-------------------|------------------|
| | \$ '000 | \$ '000 |
| Assets | | |
| Current assets | 12,871 | 10,721 |
| Non-current assets | 298 | 327 |
| Total assets | 13,169 | 11,048 |
| Liabilities | | |
| Current liabilities | 392 | 529 |
| Total liabilities | 392 | 529 |
| Net assets | 12,777 | 10,519 |
| Equity | | |
| Issued capital | 31,966 | 31,866 |
| Share based payment reserve | 765 | 240 |
| Accumulated losses | (19,954) | (21,587) |
| Total equity | 12,777 | 10,519 |
| | Year ended | |
| | 30 Jun 20 | 30 Jun 19 |
| | \$ '000 | \$ '000 |
| Profit for the year | 1,513 | 50,928 |
| Other comprehensive income | - | - |
| Total comprehensive income | 1,513 | 50,928 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. However, the parent entity itself is not responsible for any minimum exploration expenditure commitments.

NOTE 25: AUDITOR'S REMUNERATION

The auditor of Talisman Mining Limited is HLB Mann Judd. Remuneration received by the auditors:

| | 30 Jun 20 | 30 Jun 19 |
|--|-----------|-----------|
| | \$ | \$ |
| Preparation of Fringe Benefit Tax Return | 1,750 | 2,000 |
| Audit of Western Australian Tenement Exploration Expenditure | - | 1,500 |
| Audit or review of the financial report | 46,274 | 44,046 |
| Total Remuneration of Auditors | 48,024 | 47,546 |

NOTE 26: SUBSEQUENT EVENTS

Mr Kerry Harmanis was appointed as non-executive Chairman of the Company on 15 July 2020. Mr Harmanis succeeded previous chair Jeremy Kirkwood, who remains on the board of the Company as a Non-Executive Director.

Mr Dan Madden resigned as Managing Director on 1 September 2020, however, remains on the board of the Company as a Non-Executive Director.

Mr Shaun Vokes was appointed as interim Chief Executive Officer of the Company on 2 September 2020.



DIRECTORS' DECLARATION

Talisman Mining Limited

The Directors of the Company declare that:

1. the consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group;
2. the interim Chief Executive Officer and the acting Chief Financial Officer of the Group have each declared as required by Section 295A that:
 - a. the financial records of the Group for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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.
4. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors

Daniel Madden

30 September 2020



ADDITIONAL SECURITIES EXCHANGE INFORMATION

AS AT 29 SEPTEMBER 2020

1. NUMBER OF HOLDERS OF EQUITY SECURITIES

(a) Distribution of holders of equity securities

| Range | No. of holders | Securities |
|-------------------|----------------|-------------|
| 1 to 1,000 | 162 | 77,991 |
| 1,001 to 5,000 | 484 | 1,497,605 |
| 5,001 to 10,000 | 420 | 3,575,356 |
| 10,001 to 100,000 | 852 | 33,319,378 |
| 100,001 and Over | 286 | 147,229,549 |
| Total | 2,204 | 185,699,879 |

(b) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(c) Less than marketable parcel of shares

The number of shareholders holding less than a marketable parcel is 531 (holding a total of 1,014,113 shares) given a share value of \$0.12 cents per share.

(d) Substantial Shareholdings:

| Ordinary Shareholders | Fully paid ordinary shares | |
|----------------------------|----------------------------|--------|
| | Number | % |
| Mr Kerry Kyriakos Harmanis | 33,859,138 | 18.23% |

Set out above is an extract from the Company's register of last substantial shareholder notices as received by the Company and/or lodged at the ASX. Shareholdings and percentages reported in the table are as reported in the most recent notifications received, however these may differ from current holdings as substantial holders are required to notify the Company only in respect of changes which act to increase or decrease their percentage holding by at least 1% of total voting rights.

2. COMPANY SECRETARY

The name of the company secretary is Alexander Neuling.

3. REGISTERED OFFICE AND PRINCIPAL ADMINISTRATIVE OFFICE

Registered and principal administrative office:

Level 11, 2 Mill Street
Perth, Western Australia 6000
Telephone +61 8 9380 4230

Registered securities are held at the following address:

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, Western Australia 6000



ADDITIONAL SECURITIES EXCHANGE INFORMATION

4. SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

5. RESTRICTED SECURITIES

As at the date of this report 928,560 ordinary shares are subject to voluntary escrow. The voluntary escrow period on these securities ends on 30 October 2020.

6. TWENTY LARGEST HOLDERS OF ORDINARY SHARES

| | Ordinary Shareholders | Number | % |
|----|--|------------|------|
| 1 | HARMAN NOMINEES PTY LTD | 11,111,111 | 5.98 |
| 2 | TYCHE HOLDINGS PTY LTD | 6,400,001 | 3.45 |
| 3 | HARMANIS HOLDINGS PTY LTD | 4,437,575 | 2.39 |
| 4 | MRS JASMINE KALIS | 4,000,000 | 2.15 |
| 5 | TYCHE HOLDINGS PTY LTD | 3,850,000 | 2.07 |
| 6 | TYCHE HOLDINGS PTY LTD | 3,510,000 | 1.89 |
| 7 | HARMANIS HOLDINGS PTY LTD | 3,080,451 | 1.66 |
| 8 | JETOSEA PTY LTD | 2,600,000 | 1.40 |
| 9 | SOSAWILL PTY LTD | 2,550,000 | 1.37 |
| 10 | INVESTMENT HOLDINGS PTY LTD | 2,500,000 | 1.35 |
| 11 | MR JOHN FORD | 2,136,768 | 1.15 |
| 12 | REGENT CORPORATION 2001 PTY LTD | 1,930,825 | 1.04 |
| 13 | SIREB PTY LTD | 1,904,464 | 1.03 |
| 14 | MR PETER CHARLES WIGHAM | 1,740,500 | 0.94 |
| 15 | BACK9 INVESTMENT MANAGEMENT PTY LTD | 1,600,000 | 0.86 |
| 16 | JARHAMCHE PTY LTD | 1,593,501 | 0.86 |
| 17 | MR BRIAN ERNEST ZUCAL & MR STEPHEN BRIAN ZUCAL | 1,550,000 | 0.83 |
| 18 | SYDNEY FUND MANAGERS LIMITED | 1,500,000 | 0.81 |
| 19 | TYCHE HOLDINGS PTY LTD | 1,470,000 | 0.79 |
| 20 | BNP PARIBAS NOMINEES PTY LTD | 1,381,364 | 0.74 |



ADDITIONAL SECURITIES EXCHANGE INFORMATION

7. UNQUOTED EQUITY SECURITIES

| Class | Exercise Price | | Expiry Date | Number | Number of holders |
|------------------|----------------|------|-------------|-----------|-------------------|
| | \$ | | | | |
| Unlisted options | \$ | 0.46 | 31-Oct-21 | 40,000 | 3 |
| Unlisted options | \$ | 0.50 | 31-Oct-21 | 40,000 | 3 |
| Unlisted options | \$ | 0.14 | 31-Oct-20 | 2,694,446 | 15 |
| Unlisted options | \$ | 0.16 | 31-Oct-20 | 2,694,445 | 15 |
| Unlisted options | \$ | 0.18 | 31-Oct-20 | 2,694,444 | 15 |
| Unlisted options | \$ | 0.14 | 31-Oct-21 | 2,694,446 | 15 |
| Unlisted options | \$ | 0.16 | 31-Oct-21 | 2,694,443 | 15 |
| Unlisted options | \$ | 0.18 | 31-Oct-21 | 2,694,442 | 15 |
| Unlisted options | \$ | 0.14 | 31-Oct-22 | 2,388,891 | 13 |
| Unlisted options | \$ | 0.16 | 31-Oct-22 | 2,388,887 | 13 |
| Unlisted options | \$ | 0.18 | 31-Oct-22 | 2,388,890 | 13 |

All options have no voting rights.

8. ON-MARKET BUY BACK

At the date of this report the Company is not involved in an on-market buy-back.



TALISMAN
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