

Rule 5.5

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(918)	(1,975)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(300)	(554)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	142	368
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,076)	(2,161)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(1,076)	(2,161)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,076)	(2,161)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,076)	(2,161)
1.20	Cash at beginning of quarter/year to date	18,388	19,473
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	17,312	17,312

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	215
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration to Directors.

Non-cash financing and investing activities

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

N/A

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production	-
4.4 Administration	250
Total	650

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	381	503
5.2 Deposits at call	16,931	17,885
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	17,312	18,388

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Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	<u>Springfield</u> E52/2282	Farm-Out (see below)	100%	100%
	E52/2313	Farm-Out (see below)	100%	100%
	E52/2466	Farm-Out (see below)	100%	100%
	<u>Halloween</u> P52/1241	Farm-Out (see below)	100%	100%
	<u>Halloween West</u> E52/2275	Farm-Out (see below)	60%	60%
6.2 Interests in mining tenements acquired or increased	-	-	-	-

Details of Farm-Out Letter Agreement

During the quarter Talisman and Sandfire Resources Limited entered into a Letter Agreement which grants Sandfire the right to farm into Talisman's wholly-owned Springfield and Halloween Projects, as well as its joint venture rights over the Halloween West Project. (Talisman's Doolgunna Copper-Gold Projects).

The key commercial terms of the Letter Agreement are as follows:

- Sandfire has the right to earn a 70% ownership interest in Talisman's interests in the Doolgunna Copper-Gold Projects by spending \$15 million on exploration across the Doolgunna Projects within 5½ years of the date of the Letter Agreement, subject to any statutory approvals that may be required.
- Sandfire has a minimum expenditure commitment of \$5 million within the first two years before it can elect to either:
 - i. withdraw from the agreement with no further commitment and no project equity interest; or
 - ii. spend an additional \$5 million (for a total of \$10 million) within a further 2-year period (total 4 years) in order to earn a 51% interest in the Doolgunna Copper-Gold Projects (First Interest).
- After Sandfire acquires the First Interest, a Joint Venture will be formed between Sandfire and Talisman, with Sandfire holding a 51% interest and Talisman a 49% interest, in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects
- At that time Sandfire then has the option to sole fund a further \$5 million (for a total of \$15 million) on exploration expenditure within a further 18 month period in order to acquire a further 19% (Second Interest) in Talisman's current rights and interests in Talisman's Doolgunna Copper-Gold Projects, thereby taking its total interest to 70%.

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- If Sandfire gives a notice ceasing sole funding prior to acquiring the Second Interest it shall be deemed to have earned a 51% interest (with Talisman retaining a 49% interest) and the exploration joint venture will then be operated on a pro rata contributing basis or under standard industry dilution terms.
- Should Sandfire elect to earn the Second Interest by spending a minimum of \$15 million in total and thereby hold a 70% joint venture interest, Talisman will have the right to maintain its 30% interest by contributing to exploration expenditure on a pro rata basis or dilute under industry standard terms.
- Sandfire's right to farm into Talisman's joint venture rights over the Halloween West Project is subject to the terms of the existing joint venture arrangements (with Chrysalis Resources Limited - ASX: CYS) in respect of that Project.

Further details are available in the Company's December 2013 Quarterly Activities Report and the ASX Announcement released on 19 December 2013 (*Talisman Secures \$15M Joint Venture Farm-in Agreement with Sandfire*)

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺Ordinary securities	131,538,627	131,538,627		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 ⁺Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

				Exercise price	Expiry date
7.7	Options (description and conversion factor)	50,000	-	\$1.19	14/03/2014
		125,000	-	\$0.90	31/07/2014
		125,000	-	\$0.97	31/07/2014
		125,000	-	\$1.03	31/07/2014
		125,000	-	\$1.09	31/07/2014
		400,000	-	\$0.69	31/12/2014
		400,000	-	\$0.73	31/12/2014
		450,000	-	\$0.78	31/12/2014
		400,000	-	\$0.83	31/12/2014
		400,000	-	\$0.85	31/12/2014
		750,000	-	\$0.72	31/10/2014
		750,000	-	\$0.80	31/10/2014
		750,000	-	\$1.00	31/10/2014
		750,000	-	\$1.12	31/10/2014
		250,000	-	\$1.02	31/07/2015
		250,000	-	\$1.13	31/07/2015
		250,000	-	\$1.41	31/07/2015
		250,000	-	\$1.53	31/07/2015
		50,000	-	\$0.44	31/08/2015
		50,000	-	\$0.47	31/08/2015
		50,000	-	\$0.49	31/08/2015
		50,000	-	\$0.52	31/08/2015
		562,500	-	\$0.43	31/10/2016
		562,500	-	\$0.51	31/10/2016
		562,500	-	\$0.60	31/10/2016
		562,500	-	\$0.69	31/10/2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Daniel Madden
Company Secretary

Date: 29 January 2014



Print name: Daniel Madden

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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