



08 August 2018

Proposed Sale of Talisman's 30% Interest in the Springfield JV

Execution of Share Sale Agreement and NSR Royalty Deed

Talisman Mining Ltd (**Talisman**) is pleased to advise that it has now signed a conditional Share Sale Agreement with Sandfire Resources NL (**Sandfire**), its partner in the Monty Mining Joint Venture and Springfield Exploration Joint Venture (collectively the **Springfield JV**), for Sandfire to acquire Talisman A Pty Ltd (**Talisman A**) (**Proposed Transaction**), the subsidiary which holds Talisman's 30% interest in the Springfield JV (**Share Sale Agreement**).

Key terms of the Share Sale Agreement are broadly consistent with the Term Sheet as previously announced on 8 June 2018 (*Proposed Sale of Talisman's 30% Interest in the Springfield JV*) and include:

- At completion of the Proposed Transaction, Talisman is to receive net cash from Sandfire equal to A\$72.3 million less the amounts to be paid at completion to Taurus (the Talisman group financier) by Sandfire on behalf of:
 - o Talisman A, to repay debt owed at completion by Talisman A (to the extent Talisman A's cash reserves at completion are insufficient) under the Taurus loan facility (**Loan Facility**); and
 - o Talisman, equal to the amount owed at completion by Talisman under the Taurus working capital facility announced on 28 June 2018 (**Working Capital Facility**).

The current drawn amount of the Loan Facility is US\$11.5 million and the current drawn amount of the Working Capital Facility is US\$1.0 million, which may vary prior to completion.

- Sandfire will assume, via its acquisition of Talisman A, an amended form of the existing 2.25% gross revenue royalty held by Taurus over Talisman's 30% share of Monty.
- Talisman A's budgeted capital contributions to the Springfield JV, including for Monty development, are being funded by Sandfire for the period from 5 June 2018, but must be repaid to Sandfire if the Proposed Transaction does not complete.

Talisman, Talisman A and Sandfire have also executed a NSR Royalty Deed (**NSR Royalty Deed**) pursuant to which Talisman A grants to Talisman an uncapped and perpetual 1.0% Net Smelter Return (NSR) Royalty applying to 100% of all contained copper and gold in ore mined and sold from within the Springfield JV mining area above the respective contained metal levels in the current Monty Mine Plan (based on the Monty Feasibility Study released in April 2017) (**NSR Royalty**).





Payment of the NSR Royalty is guaranteed by Sandfire. Each of Sandfire and Talisman A may sell, assign or otherwise dispose of part or all of their interest in the Springfield JV tenement area, provided that the relevant buyer or assignee agrees to assume, be bound by and perform the obligations under the NSR Royalty Deed of whichever of Sandfire or Talisman A sold or assigned their interest.

If the Share Sale Agreement is terminated, the NSR Royalty Deed also terminates.

Talisman has granted a right of last refusal to Talisman A on any sale or disposal of Talisman's rights to the NSR Royalty.

Condition precedent to Proposed Transaction

The Proposed Transaction is conditional on Talisman shareholders approving the Proposed Transaction at a planned Talisman shareholder meeting for the purpose of ASX Listing Rule 11.2 (**Condition**).

Investors should be aware that even if the Condition is satisfied, completion of the Proposed Transaction will not occur unless various interrelated actions also occur simultaneously. These actions include certain actions by Taurus, such as releases in relation to the Loan Facility and Working Capital Facility, which are to be provided by Taurus when those facilities are repaid at completion of the Proposed Transaction.

Board and shareholder statements

The directors of Talisman unanimously recommend that Talisman shareholders vote in favour of the resolution to approve the Proposed Transaction, in order to satisfy the Condition. Further information will be included in a notice of general meeting to be dispatched and announced in due course. The Talisman directors also intend to vote, or procure the voting of, any Talisman shares respectively held or controlled by them at the relevant time in favour of that shareholder resolution to approve the Proposed Transaction.

Separately, Talisman has been informed by Mr Kerry Harmanis that, based on the terms of the Proposed Transaction as set out in this announcement, he intends to vote, or procure the voting of, any shares in Talisman held or controlled by him (or his associates) at the relevant time in favour of that shareholder resolution to approve the Proposed Transaction. Mr Harmanis has consented to this statement being included in this announcement.

Mr Harmanis' most recent Notice of change of interests of substantial holder in relation to Talisman was announced to the ASX on 29 May 2017. If any further such notice is received by Talisman it will be announced to the ASX.

Termination events

The key termination events under the Share Sale Agreement are summarised (non-exhaustively) as follows:

- Either of Talisman or Sandfire may terminate the Share Sale Agreement if the Condition is not satisfied (or mutually waived by Talisman and Sandfire) by 31 October 2018, or if the Condition becomes incapable of satisfaction or they agree that it cannot be satisfied.
- Sandfire may terminate the Share Sale Agreement at any time before completion of the Proposed Transaction if:
 - o certain dissolution, insolvency or similar events occur to Talisman or Talisman A (such as the winding up of, or appointment of an administrator for, either of them) or if the holder of an encumbrance takes possession of all or a substantial part of Talisman's or Talisman A's undertaking or property;





- o a material warranty breach by Talisman or other material Talisman breach of the Share Sale Agreement occurs and in each case is not remedied after Sandfire gives notice of the breach; or
 - o the Talisman board makes a public statement indicating that any Talisman director does not recommend the Proposed Transaction, recommends, supports or endorses another transaction (other than a transaction agreed with Sandfire) or intends to vote Talisman shares held or controlled by them (which are eligible to vote) against (or abstain from voting on) the shareholder resolution the subject of the Condition.
- Talisman may terminate the Share Sale Agreement at any time before completion of the Proposed Transaction if:
 - o certain dissolution, insolvency or similar events occur to Sandfire (such as winding up or appointment of an administrator) or if the holder of an encumbrance takes possession of all or a substantial part of Sandfire's undertaking or property; or
 - o a material warranty breach by Sandfire or other material Sandfire breach of the Share Sale Agreement occurs and in each case is not remedied after Talisman gives notice of the breach.

The Share Sale Agreement may also terminate if various completion events do not occur simultaneously.

As noted above, if the Share Sale Agreement is terminated, the NSR Royalty Deed also terminates.

The Share Sale Agreement also includes further customary terms such as covenants, warranties and indemnities (including as provided by Talisman in favour of Sandfire) and restrictions on Talisman A's activities in the period prior to completion of the Proposed Transaction.

If completion of the Proposed Transaction occurs the Springfield JV will be terminated contemporaneously.

Proposed distribution

In the current opinion of the Board, following completion of the Proposed Transaction, Talisman is expected to have capital in excess of what is needed for the Company's ongoing operations for the foreseeable future.

In the event that the Proposed Transaction completes, Talisman anticipates having approximately A\$50 - A\$55 million of available cash after accounting for anticipated repayment of the Loan Facility and Working Capital Facility debts and tax liabilities (and costs) arising from the Proposed Transaction.

Subject to completion of the Proposed Transaction, regulatory matters (including receipt of a class ruling from the Australian Taxation Office and receipt of any necessary ASX Listing Rule confirmations or waivers from the ASX), and subject to the financial circumstances of Talisman following completion of the Proposed Transaction and the Board's discretion, Talisman intends to distribute to shareholders a substantial proportion of the cash available after completion, which may involve up to approximately A\$45 million being distributed to shareholders. Talisman is considering alternatives available for the form of the distribution, such as (non-exhaustively) a dividend, equal capital reduction or a combination of the two, subject to relevant financial and tax advice. Subject to legal requirements, the timing, type, structure and terms and conditions of the distribution will be at the Board's discretion and subject to the prevailing financial circumstances of Talisman in the event of completion of the Proposed Transaction. Further details will be set out in the Notice of General Meeting to be sent to Talisman shareholders for the purpose of considering approval of the Proposed Transaction.





This potential distribution is consistent with the Board's strategy to reduce excess capital, while maintaining sufficient cash to support the Company's ongoing operations.

Shareholders should note that the proposed distribution may change depending on a number of factors, such as the outcome of operating and development activities, regulatory developments, market and general economic conditions and the Board's discretion. Consequently, the Board reserves the right to alter the way the funds are applied. Investors are cautioned that there can be no guarantee that a distribution will occur, or of its timing, quantum or structure. Talisman makes no comment in relation to the tax circumstances or tax liabilities of Talisman shareholders.

Indicative timetable for the Proposed Transaction

Talisman is progressing plans for a General Meeting of shareholders to be held in approximately six to eight weeks from the date of this announcement, at which meeting shareholders would vote to determine whether the Condition is satisfied.

The Share Sale Agreement provides for completion of the Proposed Transaction six business days after satisfaction of the Condition, or at such other time as Sandfire and Talisman agree. If completion occurs, the Board would then make a final determination regarding the use of funds derived from the Proposed Transaction, subject to applicable legal requirements.

Sternship Advisers and Fivemark Partners are acting as Talisman's financial advisers, Ernst & Young are acting as Talisman's taxation advisers and DLA Piper as legal adviser, in relation to the transaction.

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Forward-Looking Statements

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

