

TALISMAN MINING LTD

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22 January 2007

The Manager
Company Announcements Office
Australian Stock Exchange

By Electronic Lodgement

REPORT FOR QUARTER ENDED 31 DECEMBER 2006

HIGHLIGHTS

- Follow up drilling at the Winja Prospect returns intercepts to 16m @ 3.59g/t gold. Mineralisation remains open in all directions.
- Boundary resource upgraded 989,020t @ 1.57g/t gold.
- Drilling commences at Maitland (Gold) and Wonmunna (Copper – Zinc – gold – Silver) projects
- High grade rock chip at Jacia South, Maitland Project – 1.3g/t gold, 36.5g/t silver, 5.46% copper, 0.62% zinc.

TRILLBAR GOLD PROJECT

Winja Prospect

A follow up program of drilling to the original Talisman drill intercept of **29m @ 5.2g/t gold (including 9m @ 13.96g/t gold)** has been completed with results >1g/t gold, including the original intercept (TRC70), summarised below:

Drillhole	Easting (m)	Northing (m)	From (m)	To (m)	Width (m)	Gold (g/t)
TRC70	578756	7169262	64	93	29	5.20
		Including	68	77	9	13.96
TRC90	578832	7169204	32	40	8	1.49
TRC91	578795	7169201	24	28	4	1.04
TRC93	578767	7169221	40	44	4	1.80
TRC94	578777	7169240	52	68	16	3.59

The above results, with the exception of those for TRC70, are 4m splits – These intervals have been re-sampled at 1m intervals with results expected by end of February, 2007.

Due to technical difficulties the programme was reduced to 12 drillholes completed for a total of 882 metres, with only 5 of those reaching targeted depths. As a result the company is extremely encouraged by the limited results returned. Follow up drilling campaigns will be contracted with greater air capacity RC rigs.



The Winja discovery is highly significant with RAB / Aircore drilling defining an associated anomaly of over 600m strike extent, remaining open to the southeast. Excellent potential also exists for the definition of further Winja-type gold mineralisations in a geological situation previously thought to be largely unprospective.

Further analysis of mineralised material from the above quoted drill intercept has confirmed that this style of mineralisation is unique in the Trillbar project area, and possibly in the larger Peak Hill Goldfield. The mineralisation has many feature of Carlin-type gold mineralisation, similar to that reported in rocks of similar age in the Ashburton Goldfield to the north.

Drill definition of this exciting new mineralisation will be a priority of the Company during 2007.

Boundary Prospect

A resource recalculation, JORC-compliant, has been completed for the Boundary prospect utilising drill data produced by Talisman obtained during the first year of operations, together with that derived by previous explorers. Details of this revised resource are as follows:

Category	Lower cut (g/t)	Upper cut (g/t)	Tonnes	Grade (g/t)	Ounces
Inferred	0.5	18	989,020	1.57	49,909
Inferred	1.0	18	423,098	2.55	34,670

The global resource of 49,909 ozs (0.5g/t gold lower cut) represents a **125% increase** on the 22,000 ozs resource inherited by Talisman.

Although the mineralisation remains open at depth below 120 metres, and the satellite Boda and Mosquito lodes (Figure 1) have had only minor drill evaluation of 3 and 4 drillholes respectively, the Company has opted to suspend exploration at Boundary with pending exploration to focus on the Winja prospect.

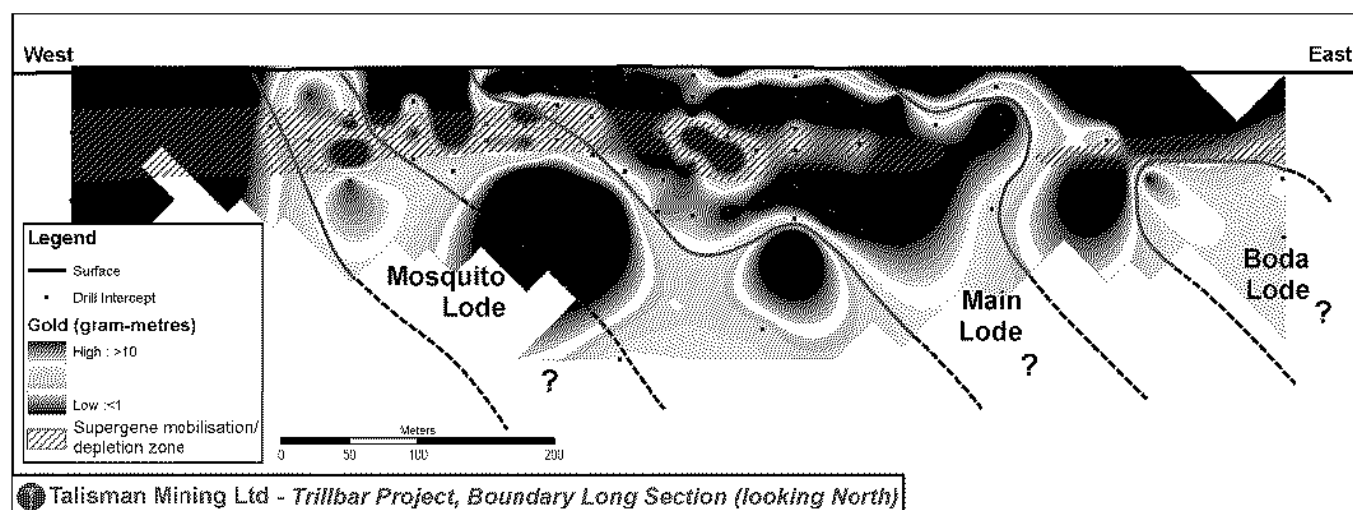


Figure 1

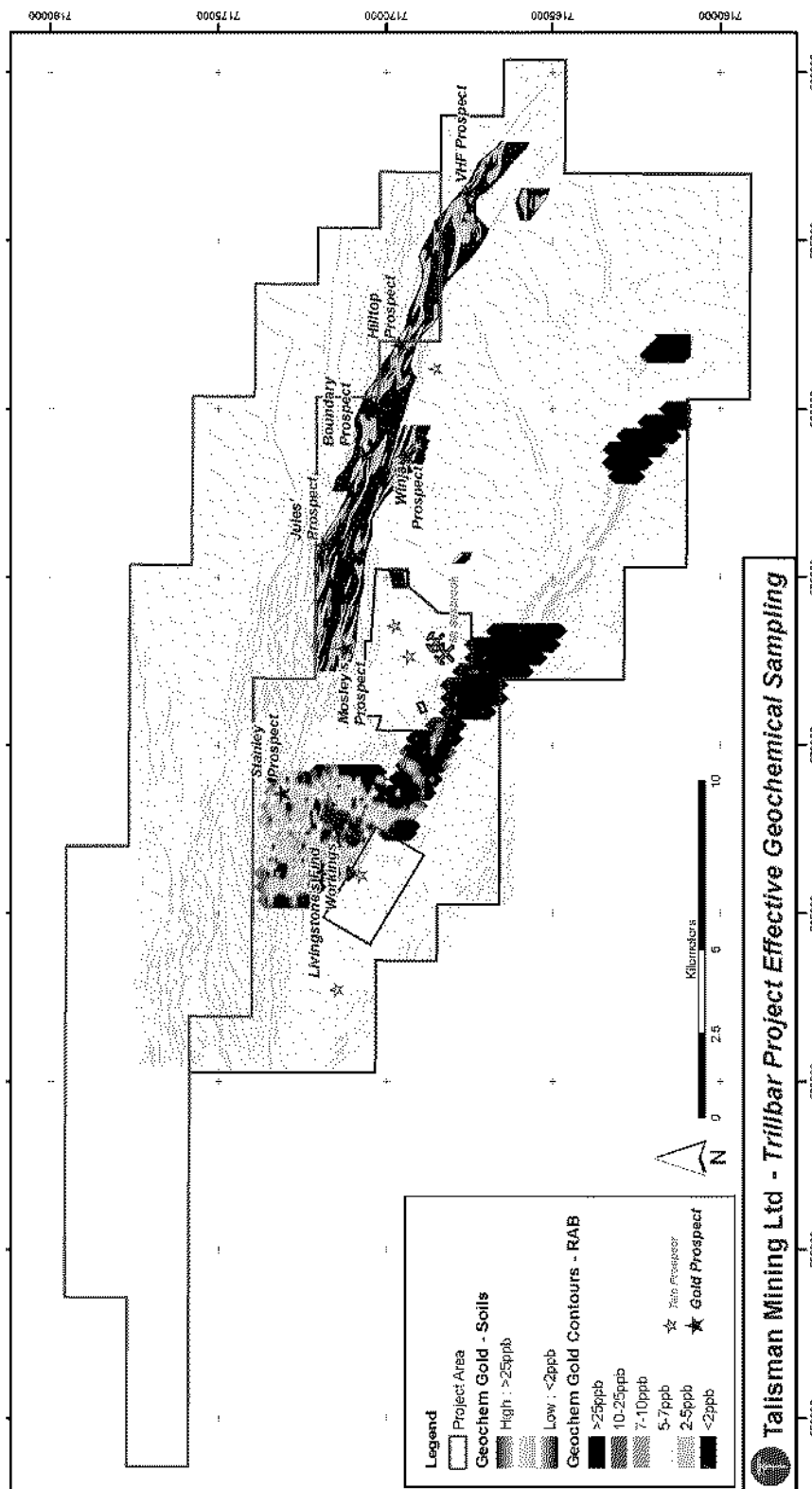
With the recent discovery of the high-grade Winja mineralisation, together with the definition of numerous new anomalies awaiting drill testing, it is expected that the Boundary mineralisation will comprise a small, although important, part of a much larger mineralised system.



Reconnaissance

Soil geochemistry has been completed on 200m x 40m centres over an area of approximately 13 square kilometres in the west of the project area, centred on the abandoned Livingstones Find gold workings (Figure 2). This sampling has clearly defined a large area of strong gold anomalism centred on, and peripheral to, the abandoned gold workings.

Soil geochemistry over the Banded iron formation in the south of the project area failed to define any significant anomalies.





Acquisition

Talisman has acquired 80% of Prospecting Licence P52/1037 which covers the main line of workings at the abandoned Livingstones Find gold workings. This small lease was previously excised from the surrounding Trillbar project tenements.

Previous evaluation of the main line of workings has been limited to a single RC drilling traverse of 5 drillholes completed by Livingstone Resources NL in 1997. This drilling produced results to 6m @ 2.65g/t gold and 2m @ 5.8g/t gold.

MAITLAND GOLD PROJECT

Complete results for the reconnaissance soil geochemistry have been received and a number of significant gold-in-soil anomalies defined (Figure 3).

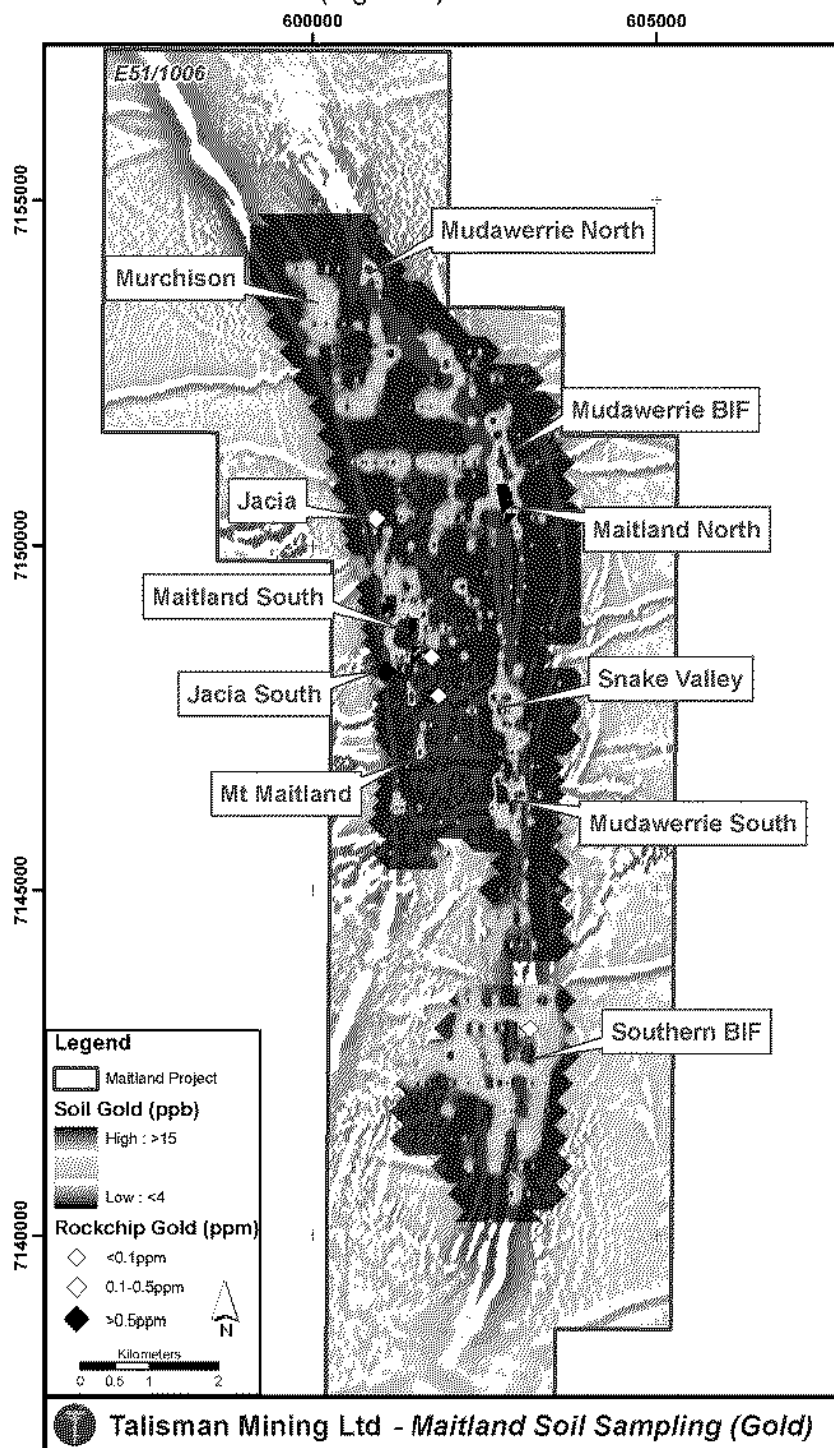


Figure 3



Maximum gold values in the indicated gold-in-soil anomalies range from 11ppb to 1153ppb gold over a background of <4ppb gold with coherent anomalies defined over strike lengths of up to 800m.

The anomalies along the east margin of the greenstone belt (Mudawerrie North, Mudawerrie BIF, Maitland North, Snake Valley, Mudawerrie South, Southern BIF) are broadly coincident with the Mudawerrie BIF and associated banded iron formations, metasediments and volcanics, whilst those on the west margin (Murchison, Jacia, Maitland South, Jacia South, Mount Maitland) are associated with similar lithologies. It appears that both linear trends of anomalism are associated with shear zones traversing the length of the greenstone belt.

All of the indicated anomalies are considered viable exploration targets warranting follow up drilling.

The north, south and southwest of the greenstone belt have not been evaluated by soil geochemistry owing to transported overburden. Although not of priority these areas will subsequently be evaluated by RAB / Aircore drilling.

Reconnaissance prospecting has also resulted in the discovery of outcropping copper-zinc-gold-silver mineralisation at **Jacia South**. A rock sample from this location assayed **1.3g/t gold, 5.46% copper, 0.62% zinc, 37.5g/t silver**. This mineralisation, associated with sheared basalt and banded iron formation, appears to be a southerly repetition of the previously defined Jacia polymetallic mineralisation, albeit that it is situated approximately 1km south of the previously known limit of that mineralised trend. This undrilled mineralised system has now been traced discontinuously over a strike length in excess of 3km.

WONMUNNA COPPER – ZINC – GOLD – SILVER PROJECT

A program of RC drill evaluation of the Bull and Sleepy Hollow multi-element soil anomalies has commenced and is scheduled for completion in mid-January, 2007 with complete results expected by end of February, 2007. Drill traverse are indicated on figure 4.

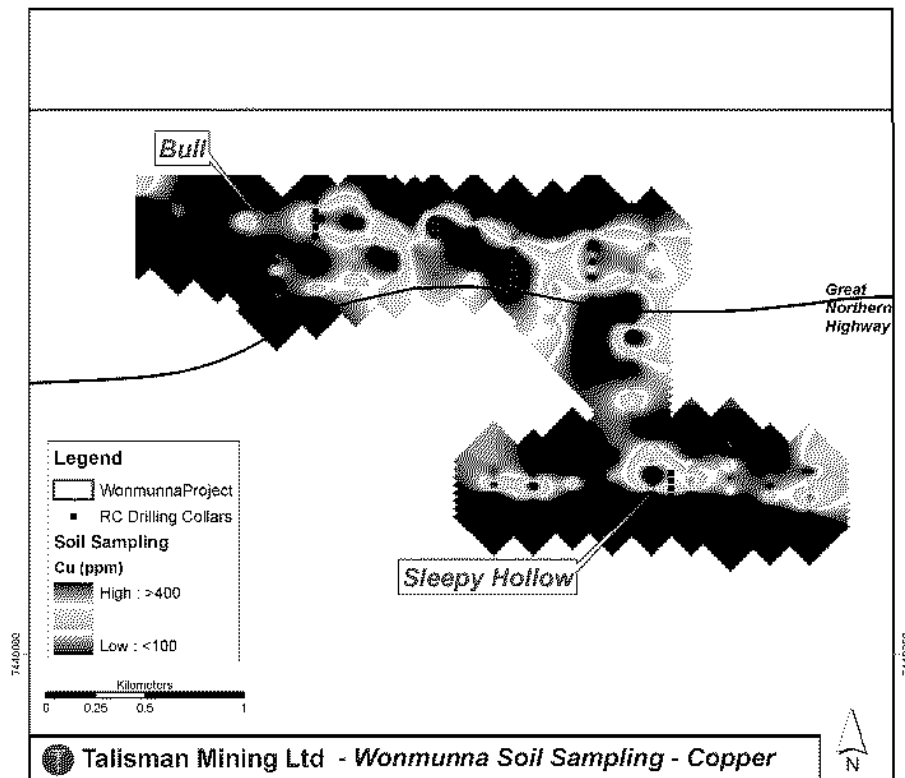


Figure 4



Soil geochemistry over known copper prospects and areas of stream sediment copper anomalism is in progress and is expected to be completed by end of January, 2007, with complete results expected by End of February, 2007.

Stream sediment geochemistry has also been completed over the remaining western portion of the project area with results expected in late January, 2007.

Yours sincerely

S. J. Elliott
Managing Director

Information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Steven Elliott who is a member of the Australasian Institute of Mining and Metallurgy. Mr Steven Elliott is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Steven Elliott consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6..... months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(282)	(1,095)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(114)	(207)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	15	26
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		(381)	(1,276)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	-	(4)
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		-	(4)
1.13	Total operating and investing cash flows (carried forward)	(381)	(1,280)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(381)	(1,280)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,254	1,254
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 (costs of issue)	(104)	(104)
	Net financing cash flows	1,150	1,150
	Net increase (decrease) in cash held	769	(130)
1.20	Cash at beginning of quarter/year to date	463	1,362
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,232	1,232

Payments to directors of the entity and associates of the directors

Payments to 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	80
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	For fees for accounting and secretarial services and directors salaries and fees.	

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

The issue of 1,000,000 ordinary shares for part consideration of mining tenements.
The issue of 4,200,000 quoted options as part of total fee for capital raising

- 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

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	

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	
Total	400

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	1,232	463
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,232	463

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	-	-	-	-
6.2 Interests in mining tenements acquired or increased	P52/1675	100%	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

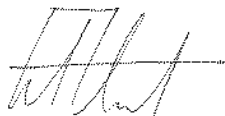
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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	44,798,006	31,838,368		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,000,000 1,000,000	7,000,000 1,000,000	16 cents -	16 cents -
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	17,632,668 3,900,000 2,750,000	17,632,668 - -	<i>Exercise price</i> 20 cents 25 cents 25 cents	<i>Expiry date</i> 31 Dec 2010 30 June 2008 31 Dec 2010
7.8 Issued during quarter	17,632,668 2,750,000	17,632,668 -	20 cents 25 cents	31 Dec 2010 31 Dec 2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: .. .23 January 2007.....
(Company secretary)

Print name:Lloyd Flint.....

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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