



TALISMAN MINING LTD

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The Manager
Company Announcements Office
Australian Stock Exchange

By Electronic Lodgement

REPORT FOR QUARTER ENDED 30 SEPTEMBER, 2007

HIGHLIGHTS

- ❖ Commencement of drill evaluation of iron ore potential of the Wonmunna project.
- ❖ First pass drill evaluation of copper-zinc-gold-silver soil anomalies at Wonmunna. Initial 4m samples indicate low-grade copper drill intercepts.
- ❖ Stream sediment geochemistry at Anticline defines large areas of copper-zinc anomalism.

WONMUNNA POLYMETALLIC PROJECT (100% Talisman)

Iron Ore

A review of the iron ore potential by an independent iron ore consultant has confirmed that the project has excellent potential for the definition of large tonnage, high-grade iron ore deposits. Limited drilling completed by previous joint venture partner Poondano exploration Pty Ltd supports this conclusion.

The project is situated in the heartland of the Pilbara iron ore mining industry, with several producing mines in close proximity. The currently mined West Angelas deposit is situated less than 10km along strike to the west and the Hope Downs and Area C mines are situated approximately 13km and 20km to the north respectively (Figure 1). All of these operations produce high-grade hematite ores from the Marra Mamba Iron Formation.

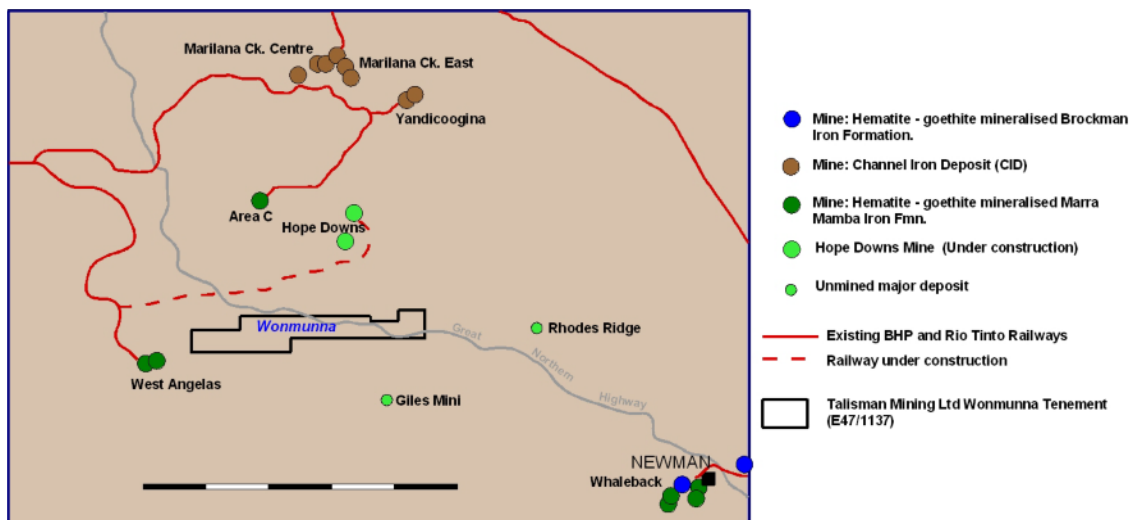


Figure 1



Infrastructure in the area is excellent with the Great Northern Highway passing through the centre of the project area. The railhead at West Angelas is only 28km west of the centre of the project area and the Hope Downs rail spur (under construction) will pass approximately 10km north of the project.

The Wonmunna project was subsequently the subject of a joint venture (iron ore only) with private company Poondano exploration Pty Ltd. During the joint venture period, Poondano completed two small RC drilling campaigns, the results of which are summarised below. This drilling indicated that the Wonmunna project area contains potential for two styles of iron ore mineralisation, both of which are currently being profitably exploited by other companies in the Hamersley Basin:

1. Channel Iron Deposits (CID) containing pisolitic iron ore in fossil drainage channels.
2. Hematite-goethite mineralised Marra mamba Iron Formation.

It is significant to note that, prior to Talisman acquiring tenure to the area, there was no recorded previous exploration for iron ore having been completed in the project area. This would appear to be the result of mis-mapping of the CID as laterite, and lack of outcrop of iron formations.

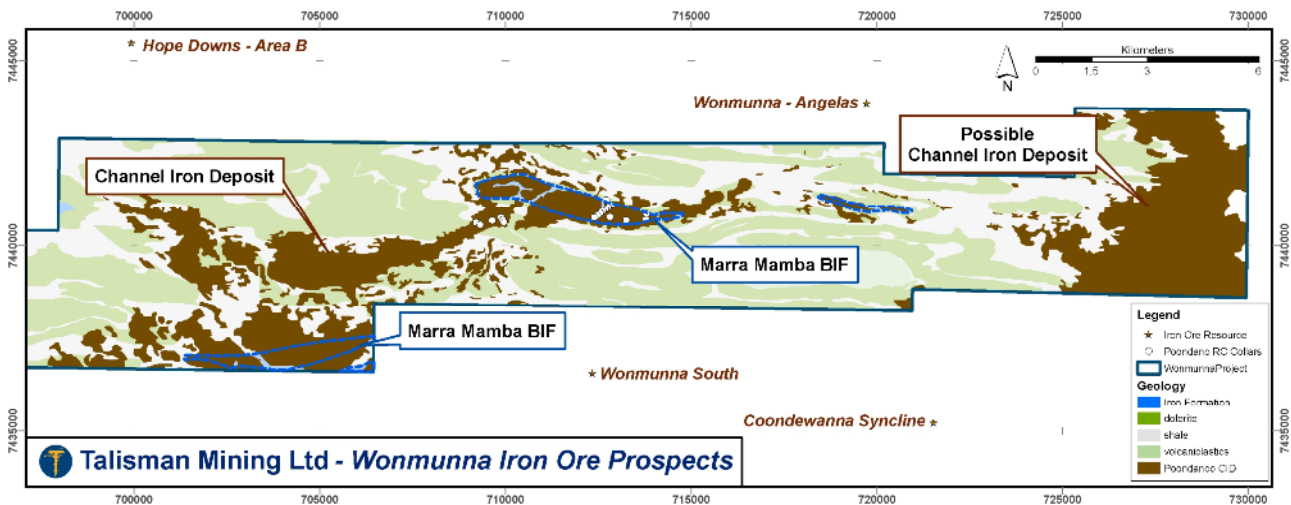


Figure 2

Channel Iron Deposits (CID): The CID on Wonmunna might be considered an 'upstream' equivalent of the Yandi pisolitic ores being exploited by BHP Billiton Ltd approximately 40km to the north. The Yandi ores average 57 - 58% iron.

The CID at Wonmunna comprises an east-northeast trending series of plateau and isolated mesas and buttes over the centre of the tenement area. The known CID occupies an area of over 20km² and is known to be up to 30m thick (Figure 2).

In addition, additional CID deposits, occupying an area of approximately 16km², are indicated beneath cover in the east of the tenement area. Pisolitic iron has been noted in scattered outcrops projecting through thin cover in this area and preliminary drill results indicate the presence of a CID palaeochannel up to 600m wide.

Limited wide-spaced reconnaissance drilling completed by Poondano confirmed the presence of iron mineralisation within the central CID. Whilst most intercepts were in the range 51 – 56% iron, peak values to **2m @ 57.3% iron** indicate excellent potential for locating higher grade zones. Phosphorus contents of the intercepts are generally low (<0.03%) and within marketable parameters. Alumina contents are moderate (to ~7% Al₂O₃) but decrease with increasing iron (The 57.3% Fe intercept contained only 3% Al₂O₃, within marketable parameters).

Overall, it is considered that definition of a substantial CID resource of direct shipping grade iron ore is highly achievable.

Marra Mamba: The second phase of drilling completed by Poondano targeted the Easterly extension of the central CID but, whilst it was unsuccessful in intersecting significant CID mineralisation, it did intercept previously unknown mineralised Marra Mamba Iron Formation beneath the CID. This Marra Mamba Iron Formation is interpreted from aeromagnetic data on Figure 2, and appears to occur over a strike length of approximately 5.5km with apparent strike repetitions further east and a previously unevaluated 5km strike length in the southwest.



The best Poondano drill intercept was **22m @ 60.8% Fe**, which included a best **2m intercept of 62.95% Fe**. Phosphorus contents are generally <0.1% whilst alumina is generally <4% Al_2O_3 . These parameters are of export grade.

It would appear that the mineralisation intercepted here is very similar to that at the West Angelas deposit (924Mt @ 62% Fe), 28km to the west and the Area C and Hope Downs deposits to the north. These latter two deposits occur in synclinal structures on a regional antiform, the same structural setting as is indicated for the Wonmunna area.

It is readily apparent that Talisman has in its possession a significant iron ore project, with excellent potential for the definition of a mineable resource.

The project has potential for both primary Marra Mamba ores and CID ores and, although the generally higher grade Marra Mamba ores demand a price premium, the Company will focus initially on the potential for near surface, easily mined CID ores. An initial drilling program of 2,000m of reverse circulation drilling has been completed with results expected in the subsequent Quarter.

Copper-Zinc-Gold-silver

Significant polymetallic anomalies have been defined at Bull-Tavros, Sleepy Hollow, Jasons, Main Road, Jacks, Dave Brendans, Kendalls, Ironstone, and Stephies. It was considered that these anomalies might indicate sulphide accumulations in the anomalous horizon defined by soil geochemistry over a total strike length in excess of 40km around the margins of the Parmelia Syncline (Figure 3).

A program of reverse circulation drilling comprising 31 drillholes for a total of 2205m as first pass evaluation of the Tavros, Brendans, Daves, Kendalls and Main Road prospects was completed during the Quarter. Initial 4m intercept assay results are detailed in Table 1 below. One metre resplit samples have been submitted for assay with results expected in the subsequent quarter.

The majority of significant (>0.1% copper) drill intercepts were in the weathered zone, indicating supergene enrichment of low-grade disseminated sulphides in the underlying black shales of the Jeerinah Formation. The majority of drillholes terminated in black shale containing up to 20% sulphides, predominantly pyrite, although trace chalcopyrite (copper sulphide) was noted in several drillholes.

Whilst the drilling assay results were disappointing, the presence of significant sulphides (up to 20%), albeit predominantly barren pyrite, is substantial evidence in support of the Company's exploration model for base and precious metal – bearing massive sulphides. The Company believes that good potential remains for the location of such sulphide mineralisation although additional exploration methods will be required to complement the soil geochemistry in providing drill targets. Accordingly, the Company is evaluating various geophysical methods which might be applied.

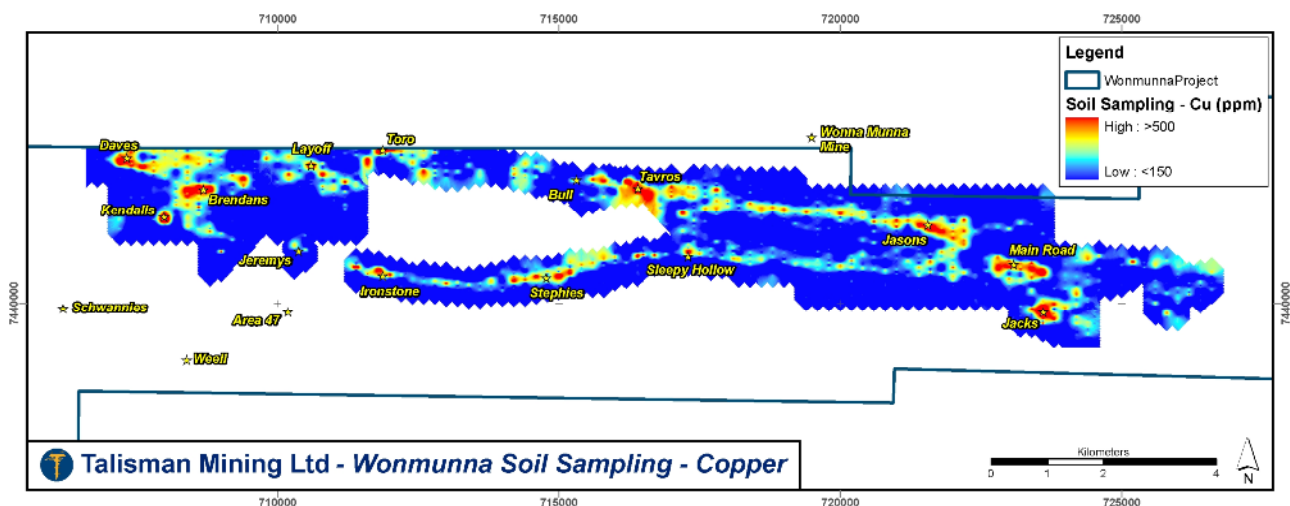


Figure 3

**ANTICLINE POLYMETALLIC PROJECT (100% Talisman)****Iron Ore**

The Iron Ore Royalty Agreement with Fortescue Metals Group Ltd, inclusive of the Anticline and Tom Price projects, was renegotiated upwards from 10 cents/tonne of iron ore which might be produced to 30 cents/tonne, capped at \$8,000,000 total for both project areas.

Copper-Zinc-Gold-silver

A reconnaissance stream sediment sampling survey was completed over the areas of the project accessible by four wheel drive vehicle, providing adequate coverage of approximately 70% of the project area.

The stream sediment samples produced peak values of 261ppm copper (background <100ppm), 1203ppm zinc (background <200ppm), 97.7ppm lead (background <20ppm), and 0.27ppm silver (background <0.1ppm). Gold was in the range <1ppb to 4ppb with a single outstanding result of 30ppb gold.

All of the assayed metals generally correspond well with each other and define zones of Jeerinah Formation shales on the limbs of the Jeerinah Anticline, and immediately beneath the overlying Marra Mamba Iron Formation (Figure 4). These anomalous zones appear to be at the same stratigraphic level as the anomalous zone previously described in the Wonmunna and Tom Price project areas, and must therefore be considered to have similar potential for copper-zinc-gold-silver mineralisation.

TOM PRICE POLYMETALLIC PROJECT (100% Talisman)

No exploration activities completed during the Quarter.

TRILLBAR GOLD PROJECT (80% Talisman)

No exploration activities completed during the Quarter.

EAST KIMBERLEY NICKEL PROJECT (100% Talisman)

No exploration activities completed during the Quarter.

YILGALONG PROJECT (100% Talisman)

A reconnaissance stream sediment sampling survey was completed over the areas of the project accessible by four wheel drive vehicle, providing adequate coverage of approximately 70% of the project area. A total of 218 samples were assayed for copper, lead, zinc, silver, and gold.

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")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(429)	(429)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(210)	(210)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	11
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(629)	(629)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(5)	(5)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	(72)	(72)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(77)	(77)
1.13	Total operating and investing cash flows (carried forward)	(706)	(706)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(706)	(706)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,679	1,679
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(7)	(7)
1.18	Dividends paid	-	-
1.19	Other (costs of issue)	-	-
	Net financing cash flows	1,672	1,672
	Net increase (decrease) in cash held	966	966
1.20	Cash at beginning of quarter/year to date	667	667
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,633	1,633

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	38
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

Issue of 606,665 ordinary shares at 20 cents each in consideration for part settlement of drilling costs.

Issue of 4,999,971 listed TLMO options exercisable at 20 cents each, expiring 31 December 2010 for nil consideration on a 1 for 3 basis in accordance with the terms of the Share Placement.

Issue of 550,000 unlisted options to employees for nil consideration exercisable at 25 cents each, expiring 31 December 2010.

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	-	-

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	1,633	667
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,633	667

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	-	-	-	

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	60,595,665	47,545,027		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	606,665 14,999,994	606,665 14,999,994	20 cents 14 cents	20 cents 14 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>	22,632,639 3,900,000 3,300,000	22,632,639 - -	<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	4,999,971 550,000	4,999,971 -	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: .. 26 October 2007.....
(Company secretary)

Print name: Darren Crawte.....

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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