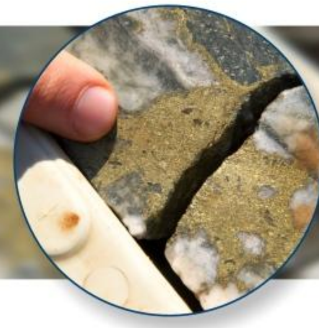
TALISMAN MINING LIMITED



ENCOURAGING RESULTS FROM MAIDEN DRILLING AT MUDDAWERRIE GOLD PROJECT, WA

KEY POINTS:

- ***Maiden 19-hole RC drilling program returns encouraging results from the Maitland gold prospect, including:***
    - ***12m at 1.58 g/t Au from 8m including 2m @ 6.35g/t Au***
- ***Results confirm the potential for high-grade banded iron formation (BIF) and mafic-hosted shear zone gold deposits at Muddawerrie, similar to those at Mt Magnet and Meekatharra.***

Talisman Mining Ltd (ASX: **TLM**) is pleased to advise that it has received encouraging results from the maiden RC drilling programme at its newly acquired **Muddawerrie Gold Project**, located approximately 120km west of its flagship Springfield VMS Copper-Gold Project in Western Australia.

The gold exploration program at Muddawerrie is part of Talisman's strategy of expanding and diversifying its Bryah Basin exploration portfolio, which includes its flagship Springfield VMS Copper-Gold Project, adjacent to Sandfire Resources' DeGrussa Project, where aggressive drilling programmes are continuing.

The Muddawerrie Project, which is located approximately 100km north-west of Meekatharra in the Murchison Region of Western Australia (*see* ***Figure 1***), was acquired earlier this year along with another WA gold project, Livingstone.

The granted Exploration Licence covers an area of approximately 52km² and comprises over 16km of prospective Archaean greenstone belt with significant potential to host high-grade, banded iron formation (BIF) and mafic-hosted shear zone gold deposits, similar to those at Mt Magnet and Meekatharra.

The Muddawerrie Project includes the Mount Maitland Trend, which extends for 6km along the western side of the project area (*see* ***Figure 2***). The trend is characterised by highly anomalous gold-copper geochemistry in highly sheared mafic volcanic rocks coincident with a number of old gold workings.

Reverse Circulation (RC) drilling was completed at the Muddawerrie Project last month with 19 holes drilled for a total of 1,860 metres to test a series of high priority prospects along two demonstrably mineralised shear zones that have only received cursory amounts of historic exploration and shallow drilling.

COMPANY SNAPSHOT

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Capital Structure

Shares on Issue: 131,538,627 (TLM)

Options on Issue: 11,175,000 (Unlisted)

ASX: TLM

Mt Maitland Trend

RC drilling at the Mt Maitland South Prospect (*see **Figure 3***) intersected near-surface gold mineralisation associated with quartz veining, sulphide and biotite alteration along a broad shear zone within a mafic volcanic sequence.

The better intercepts from this recent drill program at the Mt Maitland South Prospect include (see ***Table 1***):

- **MUDC008: 12m at 1.58 g/t Au Au from 8m, *including* 2m at 6.35 g/t Au from 14m;**
- **MUDC006: 12m @ 0.47 g/t Au from 44m; and**
- **MUDC005: 20m @ 0.43 g/t Au from 142m.**

Historic drilling has been limited to one area of old workings along the Mt Maitland trend and the results clearly demonstrate that the shear zone has the potential to be strongly mineralised. Results from historic drilling along this trend (see ***Table 2***) include:

- **MTC003 10m @ 2.10g/t Au**
- **MTC005 2m @ 1.01g/t Au**

The main gold mineralised zone at Mt Maitland South is vertically dipping with a strike length of at least 440m and is closed off to the south by a cross-cutting dolerite intrusion. It is possible that mineralisation extends to the south beyond the mafic intrusion, but this remains untested to date.

The mineralisation is open down-dip, with the deepest intersection at approximately 150m below surface.

Muddawerrie Trend

Other recently completed RC drill holes were drilled to test the Lenanphyl Prospect along the Muddawerrie Trend. Drilling returned widespread low-level gold anomalism associated with quartz veining, patchy pyrite mineralisation and silica alteration in banded iron formation and felsic sediments (see ***Table 1***).

This drilling indicates that the mineralised iron formation at Lenanphyl dips steeply to the east rather than to the west as previously interpreted and was therefore not adequately tested by this maiden drill program. This area remains a highly prospective target for future drilling.

Talisman considers these early first-pass drilling results to be sufficiently encouraging to warrant further follow-up drilling and is currently preparing follow-up exploration activities for the 2012 field season.

Ends

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Competent Persons' Statement

Information in this ASX release that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Graeme Cameron, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Graeme Cameron is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activities 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 Graeme Cameron consents to the inclusion in this report of the matters based on information in the form and context in which it appear.

Figure 1 – Talisman Mining Ltd Project locations

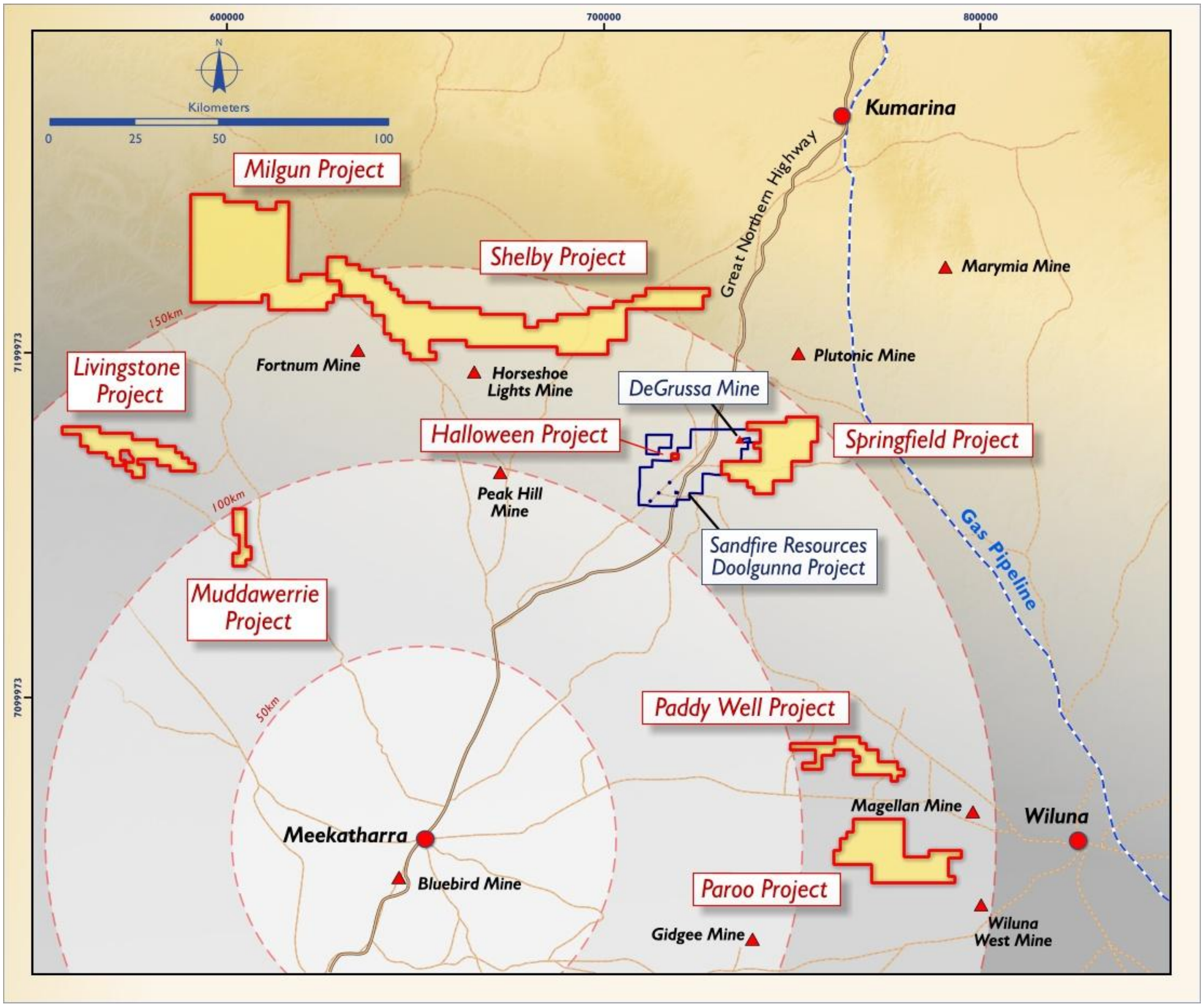

Figure 2 – Muddawerrie Project Soil Geochemistry over Magnetics

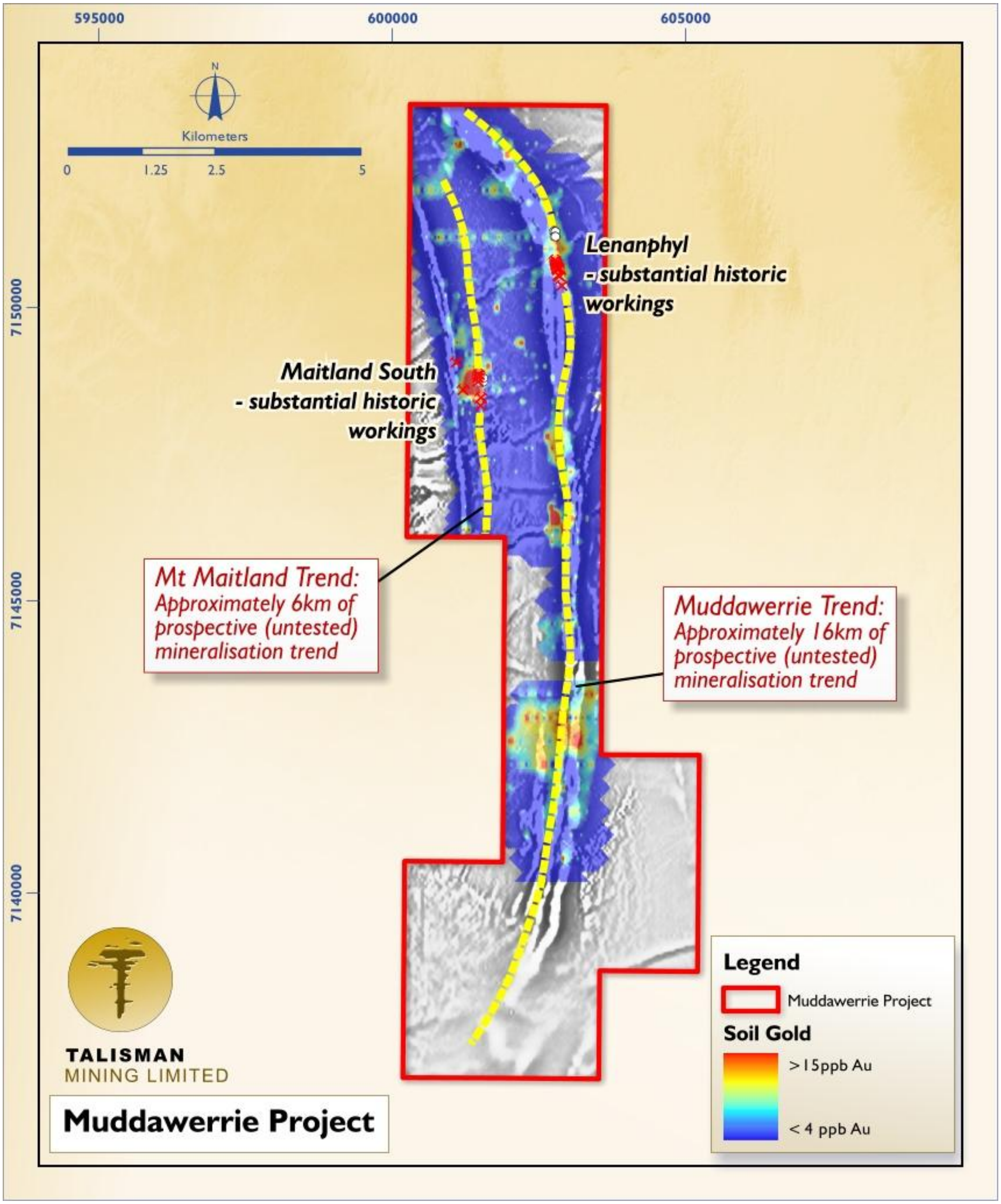

Figure 3 – Muddawerrie Project – Mt Maitland drill hole location plan and best intercepts

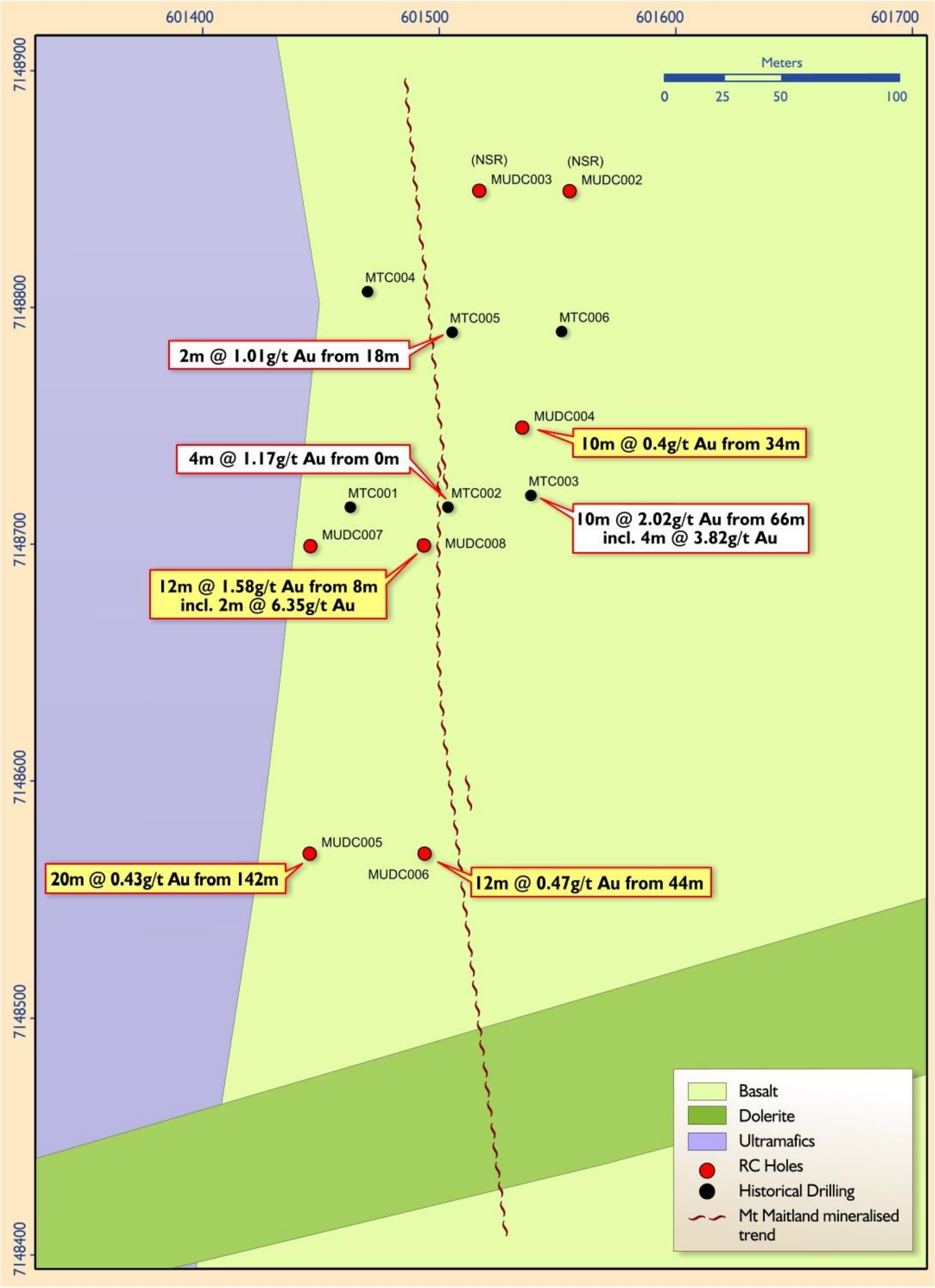

Table 1: Muddawerrie Significant RC Drilling Intercepts from maiden drill program (>0.1g/t Au):

Prospect	Hole_ID	East	North	From (m)	To (m)	Width (m)	*Au g/t
Mt Maitland	MUDC004	601505	7148781	34	44	10	0.4
Mt Maitland	MUDC005	601445	7148551	116	118	2	0.38
Mt Maitland	MUDC005			130	132	2	0.18
Mt Maitland	MUDC005			136	138	2	0.21
Mt Maitland	MUDC005			142	162	20	0.43
Mt Maitland	MUDC006	601485	7148568	32	36	4	0.13
Mt Maitland	MUDC006			44	56	12	0.47
Mt Maitland	MUDC006			74	76	2	0.81
Mt Maitland	MUDC006			84	92	8	0.23
Mt Maitland	MUDC008	601494	7148699	8	20	12	1.58
Mt Maitland	including			14	16	2	6.35
Mt Maitland	MUDC008			38	40	2	0.58
Lenanphyl	MUDC019	602732	7150946	28	30	2	0.42
Lenanphyl	MUDC019			34	46	12	0.16
N Lenanphyl	MUDC012	602596	7151762	70	72	2	0.35

*** - 2m composite sample**

Table 2 – Mt Maitland Trend Historic Drilling Results

Prospect	Hole ID	Easting	Northing	From (m)	To (m)	Width (m)	Gold (g/t)
Mt Maitland	MTC002	601504	7148717	0	4	4	1.17*
Mt Maitland	MTC003	601538	7148721	66 ***67***	76 ***71***	10 ***4***	2.02 ***3.82)***
Mt Maitland	MTC005	601505	7148791	18	20	2	1.01

*** - 4m composite sample**