



## December 2011 Quarterly Activities Report

### COMPANY SNAPSHOT

#### Board of Directors

**Alan Senior**  
Non-Executive Chairman

**Gary Lethridge**  
Managing Director

**Graeme Cameron**  
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**Brian Dawes**  
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#### Capital Structure

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

Options on Issue:  
14,150,000 (Unlisted)

ASX: TLM

### Bryah Basin Copper-Gold Projects

- *Targeted drilling to commence in first quarter 2012 at the flagship Springfield copper-gold project following successful reconnaissance programs in 2011*
- *3D modeling and comprehensive integrated targeting phase currently underway for Springfield*
- *Further widespread anomalous copper-gold geochemistry returned from Aircore and RC drilling programs*
- *Multiple conductors associated with DeGrussa stratigraphy identified from Moving Loop Electromagnetic survey (MLEM) over Springfield*
- *Maiden drilling program set to commence at Halloween Project in Q1 2012 to test zones of strong copper-gold anomalism*

### Murchison Gold Projects

- *Diamond drilling at the Livingstone Gold Project intersects intensely altered and gold mineralised zone at the Homestead Prospect*
- *1m assays for RC drilling at Muddawerrie Gold Project upgrades earlier composite drilling results. Best result includes:*
  - *9m @ 2.54g/t Au from 10m in drill hole MUDC008 (including 2m @ 8.12g/t Au)*

### Gascoyne IOCG and Ni-Cu-PGE Projects

- *Detailed gravity survey completed during quarter highlights several discrete gravity anomalies requiring future follow up to test for IOCG mineralisation*



## Bryah Basin Copper-Gold Projects

### Springfield (TLM 100%)

The Springfield Project comprises a 303km<sup>2</sup> ground package located approximately 150km north-east of Meekatharra in the northern Murchison Goldfields region of Western Australia (**Figure 1**). The Project is located immediately along strike to the east of Sandfire Resources' DeGrussa Copper-Gold Project, where total JORC Code-compliant mineral resources now stand at **14.33Mt @ 4.6% Cu** and **1.6g/t Au\*** contained in four deposits with first production expected in 2012.

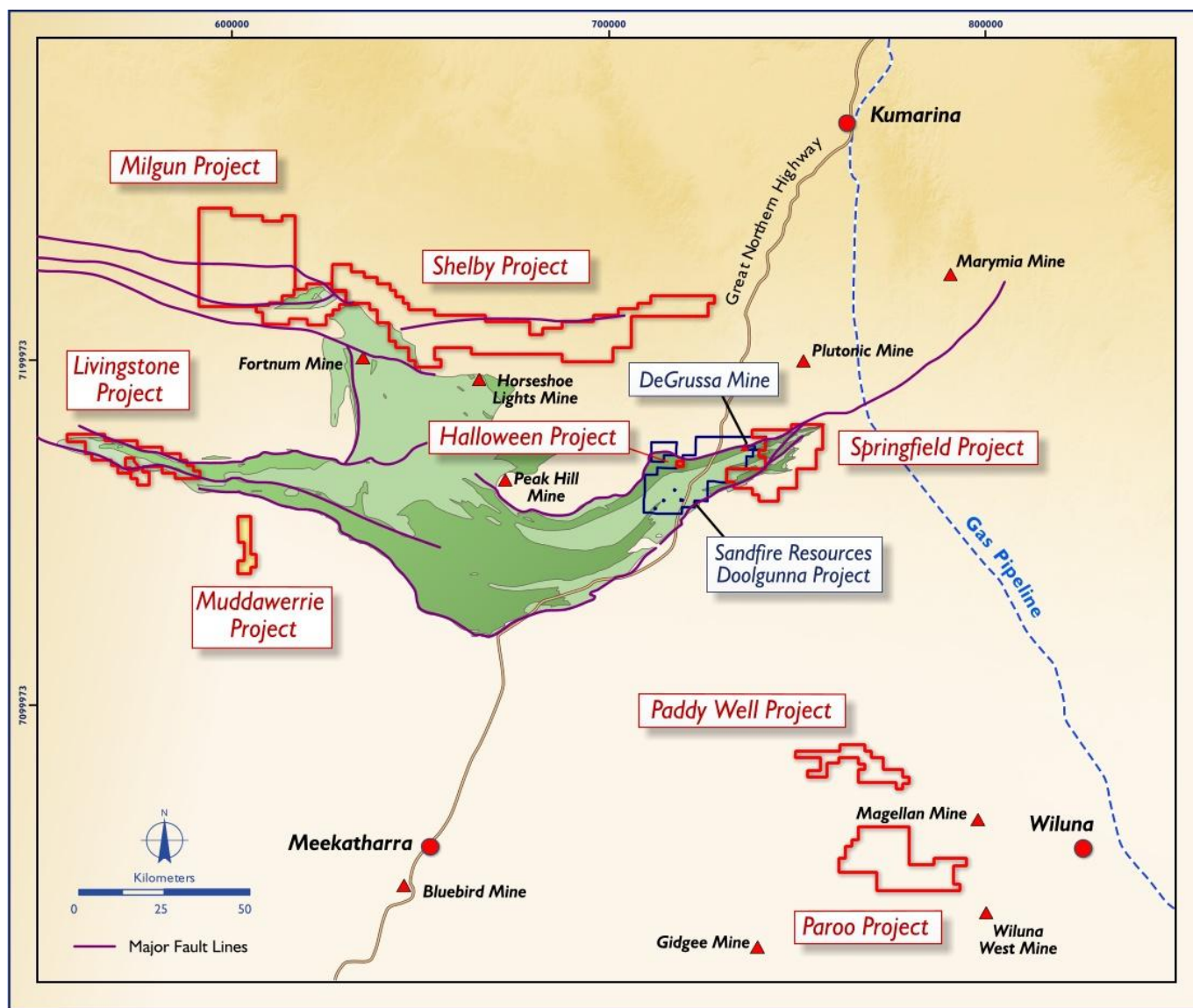


Figure 1 – Talisman Mining Ltd Project locations

\*as per Sandfire Resources (ASX-SFR) ASX Release 31/10/11 Quarterly Activities Report





Talisman believes potential for discovery of additional VMS copper-gold deposits within the Company's Springfield Project is very high. Drilling to date has consistently intersected widespread copper-iron sulphide mineralisation and strong alteration along several prospective horizons, indicating that VMS mineralising processes have been active at the Springfield Project (**Figure 2**).

Exploration activities at Springfield during the December Quarter comprised:

- first-pass geochemical Aircore drilling over the northern portion of the Springfield Project area;
- detailed processing and interpretation of moving loop electromagnetic (MLEM) data;
- first-pass RC drilling to better define mineralised volcano-sedimentary units across the Northern and Central Corridors; and
- completion of a diamond drill hole (SPD036) to test a strong MLEM anomaly located within the sedimentary sequence north of Homer and proximal to the Jenkin Fault.

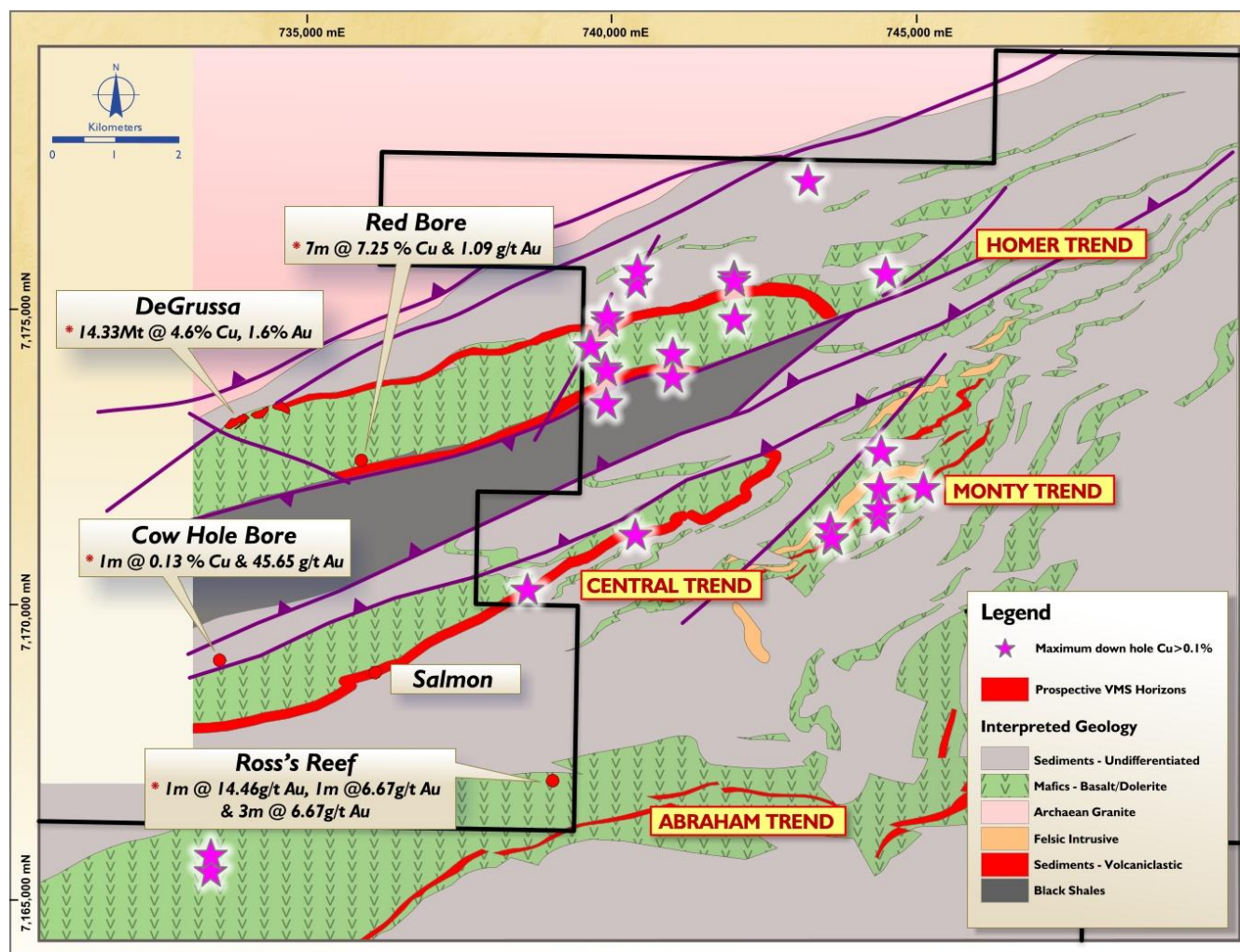


Figure 2 – Springfield Project Interpreted Geology and Maximum Down Hole Cu intercepts >0.1%



### ***Aircore Drilling***

Aircore drilling completed during the quarter focused on the northern extents of Talismans' Springfield Project. The drilling programme was designed to test volcanic sequences with potential to host DeGrussa style VMS copper-gold deposits.

Drilling comprised of 69 vertical drill holes on a 400m x 160m north-south grid pattern for a total of 4,369 metres (SPRB500-SPRB568). A single traverse on 742400E was extended to the south over the Homer corridor to in-fill previous drill lines. Drilling intersected DeGrussa style sequences comprising of prospective basalt, dolerite and volcanic sedimentary assemblages.

Aircore drilling encountered widespread copper anomalism (**Table 1**) spatially associated with at least two exhalative horizons along the northern and southern edges of the Homer volcano-sedimentary sequence. These results confirm the horizons have the potential to host significant VMS deposits.

Reprocessed geochemical data during the quarter also indicates strong VMS-style alteration in the vicinity of the copper anomalies along the Homer trend which will provide a potential vector toward VMS mineralisation.

### ***RC Drilling***

An RC drilling programme designed to better define the mineralised volcano-sedimentary units across the Northern and Central Corridors was completed in October.

RC drilling at the Homer Prospect intersected widespread copper anomalism (to a maximum assay of 0.14% Cu) hosted by altered magnetite-sulphide bearing volcanoclastic horizons, confirming the prospectivity of the DeGrussa volcano-sedimentary sequence over the Springfield project.

Anomalous copper intercepts received from drill holes SPRC0143 to SPRC160 are summarised in **Table 2**.

### ***Diamond Drilling***

Diamond drill hole SPD036 was completed during the Quarter to test a strong MLEM anomaly located within a sedimentary sequence north of the Homer prospect and proximal to the Jenkin Fault.

Drill hole SPD036 was drilled to a final depth of 564.3m and encountered a deep transported cover sequence before passing through intensely carbonate-silica altered and brecciated meta-sediments of the Bryah Basin.

Whilst no significant sulphide intersections were recorded, a DHEM survey of hole SPD036 detected a complex, strong conductor immediately off-hole to the north-west that is possibly associated with sulphide mineralisation and remains a target to be tested in 2012.

Diamond drill holes SPD029 to SPD033 were drilled during the quarter to test a major sediment-volcanic contact along the northern boundary of the **Central Corridor** which is interpreted to be prospective for DeGrussa style VMS mineralisation.



Drilling returned anomalous copper values to a maximum of 0.28% as summarised in **Table 2** warranting follow-up drilling in 2012.

Diamond drill hole SPD034 was drilled at the **Homer Prospect** and intersected chalcopyrite (copper) and coincident gold mineralisation along the interpreted DeGrussa stratigraphic position, at the intersection of the Coolabah fault with a best result of (**Table 2**):

- **5m @ 0.11% Cu from 289-294m (including 2m @ 0.43 g/t Au from 291m)**

These results confirm the prospectivity for VMS copper-gold mineralisation along the Homer trend with planning for follow-up drilling underway.

### ***Electromagnetics***

Final data from the September 2011 ground moving loop, electromagnetic (MLEM) program was received during the Quarter and incorporated reprocessed MLEM data from the Northern and Central corridors of the Springfield project.

A number of discrete late time electromagnetic (conductive) targets have been identified along the Homer, Monty and Central Corridors. These targets are now being assessed in the context of the revised geological interpretation and will form part of the 2012 drilling campaign.

In addition, two large, strong conductors have also been identified in the northern portion of the Project which is associated with the interpreted position of the Jenkin Fault. Previous drilling in the area (SPD036) identified a complex, strong conductor immediately off-hole to the west and north and will be tested as part of the 2012 drilling campaign.

### ***Progressing from Reconnaissance to Targeted Exploration***

A comprehensive review of the Springfield Project commenced in the December Quarter utilising all available datasets to identify fully-integrated VMS drill targets for 2012.

To aid in this process, key drill transects across the Homer, Monty and Central corridors have been re-logged and geochemical data is being used to help characterize the stratigraphy and develop a robust 3D litho-structural model amenable to VMS targeting.

Detailed magnetic and gravity data is being processed to identify possible syn-volcanic faults and areas of structural complexity where mineralising VMS vent processes may have been focused along the paleo-seafloor.

Alteration and mineralisation indices have also been developed to help identify areas of strong VMS-related alteration and metal deposition along prospective host horizon/s, and therefore provide a focus for further exploration across the project.

This process is ongoing and will form the basis of a comprehensive targeting strategy as the Springfield Project progresses from reconnaissance exploration to targeted drilling programs commencing in the March quarter of 2012.





## Halloween Copper-Gold Project (TLM 100%)

The Halloween Project is located approximately 16.5km west of the Springfield Project and 11.5km south-west of, and along strike from, the high-grade DeGrussa Deposit (**Figure 1**).

Previous surface sampling at the Halloween Project undertaken by the Company has defined strong, widespread copper-gold anomalism across the project area. The Halloween area also has a history of shallow gold extraction by local, alluvial miners.

Detailed geological mapping and soil sampling continued during the quarter to better define geological/geochemical VMS copper-gold targets for an RC drilling programme.

Several prospective basalt-sediment contacts with strong gossanous sulphide development have been mapped and coincide with multiple Cu-Au anomalies defined by soil and deflation lag sampling. Approximately 16 drill holes have been planned for a total of 2000m on four fences to test the anomalous contacts (**Figure 3**).

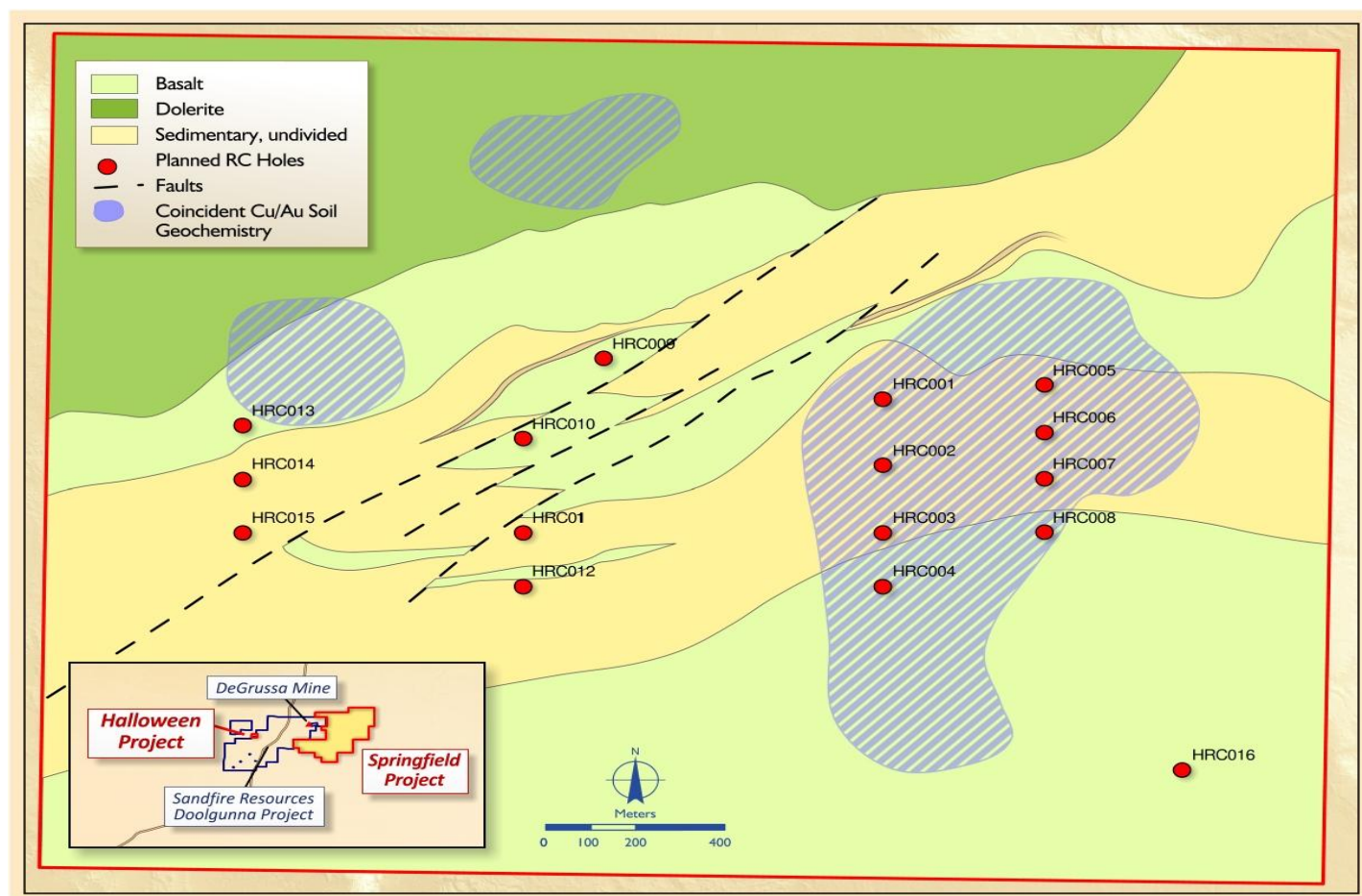


Figure 3 – Halloween Project geological surface map and proposed drill holes

RC drilling was scheduled to commence in November, however heavy rainfall resulted in widespread flooding and wet conditions that precluded access to the project. Drill site preparation was completed by a track mounted digger in the second half of November and the RC drilling programme is now scheduled to commence in February 2012.



## Murchison Gold Projects

### Livingstone Gold Project (TLM 80%)

The Livingstone Gold Project is located approximately 130km to the north-west of Meekatharra (**Figure 1**) and consists of three Exploration Licences covering an area of 208 km<sup>2</sup>.

The Project straddles the western extension of the highly prospective Bryah Basin at the northern margin of the Yilgarn Craton and a major shear zone traverses the entire project with widespread gold intercepts returned by historic percussion drilling programmes over a strike length of more than 31km (**Figure 4**). In general, this large and extensively mineralised structure has not been subject to systematic exploration and Talisman believes the Project has significant potential to host a major Proterozoic orogenic-style gold deposit.

As part of Talisman's ongoing strategy to develop a series of regionally significant, large scale gold projects (targeting +1M ounce standalone gold deposits) detailed planning and assessment of potential targets and exploration activities at Livingstone is at an early phase and is progressing well with several targets already identified.

During the December quarter, Talisman completed an initial two-hole diamond drilling program at two historic prospects, Winja and Homestead, to confirm and evaluate the geological controls on high-grade gold mineralisation intersected by previous drilling.

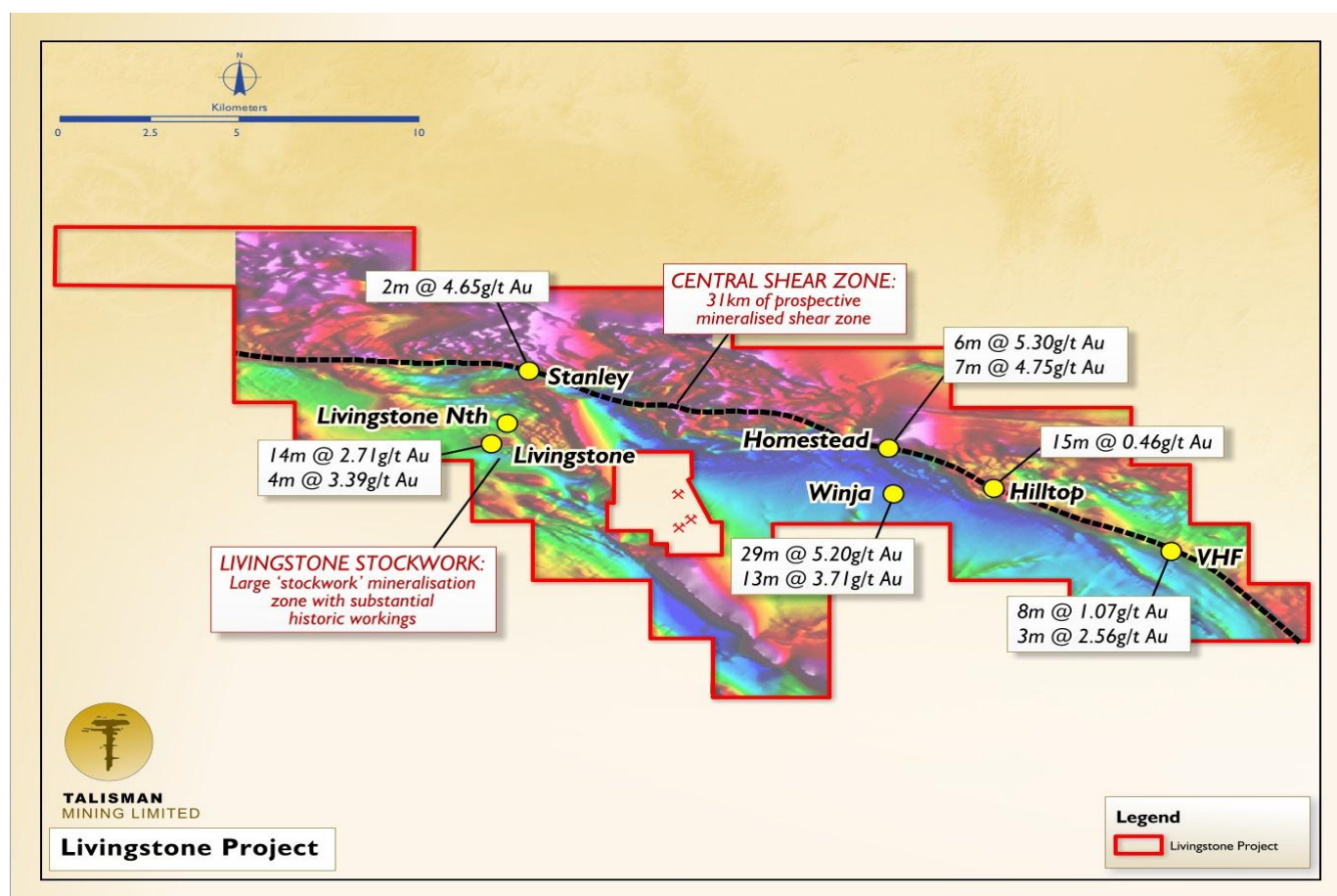


Figure 4 – Livingstone Gold Project Magnetic Image Showing Historic Gold Results



At the **Winja Prospect**, a single diamond hole (LVD001 at 7169274N, 578761E) was drilled during the quarter to a final depth of 180.8m beneath historical RC drill hole TRC070. Historical drill hole TRC070 returned thick, high-grade gold intersections (**29m @ 5.20g/t Au from 64m**) from within a dolomitic host sequence above an interpreted granite body.

LVD001 intersected a strongly brecciated and sulphidic package of sediments over much of its length however no mineralised quartz veining was encountered. This suggests that historical drill hole TRC070 may have drilled down a mineralised shoot that dips back to the south-west and further drilling towards the north is required to test this new interpretation.

At the **Homestead Prospect** a single diamond hole (LVD002) at 7170780N, 578707E was drilled to a depth of 231.8m beneath historic drill hole TRC037 to confirm high grade mineralised zones including **7m @ 4.75g/t Au from 112m**. Best assay results from diamond drill hole LVD002 include:

- **3m @ 1.84g/t Au from 154m**
- **1m @ 1.57g/t Au from 172m**
- **0.5m @ 2.80g/t Au from 198m**
- **0.5m @ 5.28g/t Au from 202m**

These higher-grade gold values appear to be associated with abundant sub-vertical quartz veining and intense carbonate-pyrite alteration in metabasalt within a major fault zone. Thus, drill hole LVD002 has successfully supported the view that the Central Shear Zone is a significant and highly prospective gold bearing structure which warrants follow-up drilling.

The Central Shear Zone will be a key focus for Talisman's gold exploration activities in 2012. Planning and targeting at the Livingstone Project is underway with site based activities, including mapping and soil sampling, scheduled to resume in February 2012. Drilling is currently planned to commence late in the March Quarter.

## **Muddawerrie Gold Project (TLM 80%)**

The Muddawerrie Project is located approximately 100km north-west of Meekatharra in the Murchison Region of Western Australia (**Figure 1**). The granted Exploration Licence covers an area of approximately 52 km<sup>2</sup> 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 comprises two mineralised trends, Mt Maitland and Muddawerrie, which extend for 6km along the western and eastern sides of the project area respectively. Both trends are characterised by highly anomalous gold geochemistry in highly sheared mafic volcanic rocks coincident with a number of old gold workings (**Figure 5**).

Reverse Circulation (RC) drilling was previously reported in the September 2011 Quarterly Report with 19 holes drilled for a total of 1,860m to test a series of high-priority prospects along the two mineralised shear zones.



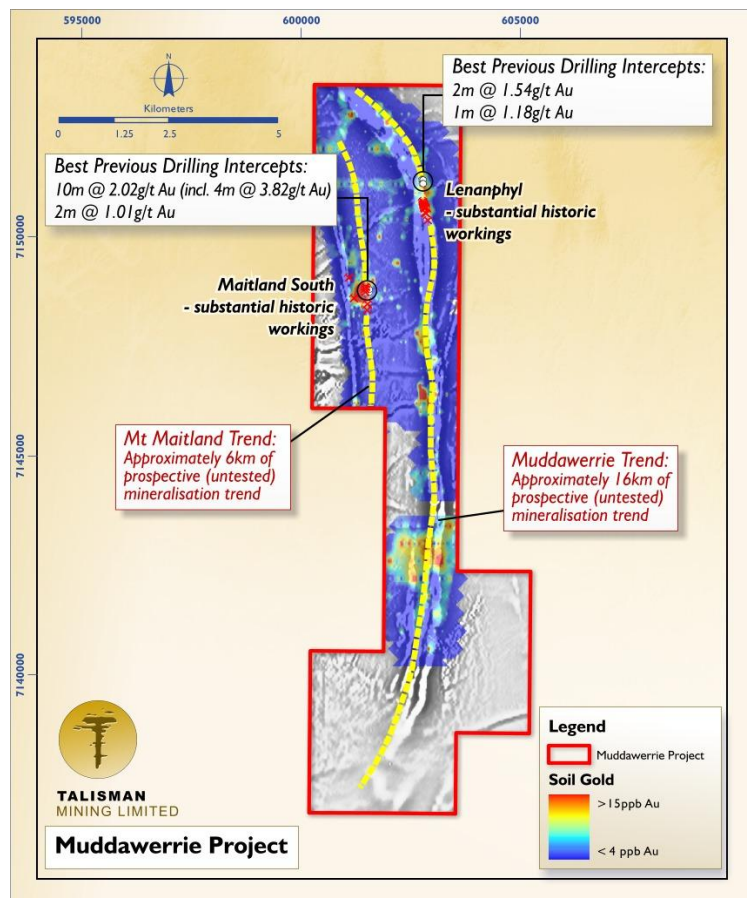


Figure 5 – Muddawerrie Gold Project Showing Historic Gold Intercepts

not adequately tested by this maiden drill program. This area remains a highly prospective target for future drilling.

Talisman considers these initial 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. Follow-up exploration activities for 2012 are likely to include geological mapping, infill soil sampling and structural interpretation of magnetic and geology data, with RC drill testing of the highest-ranked gold targets.

### Shelby Project (TLM 100%)

The 1,816 km<sup>2</sup> Shelby Project is located along the northern margin of the Bryah Basin approximately 30km north of the Horseshoe Lights Copper-Gold Mine (Figure 1).

On the basis of its geological setting, the Shelby project has been identified by Talisman as having potential to host large Iron Oxide-Copper-Gold (IOCG) deposits (e.g. Olympic Dam, Prominent Hill) and/or a Voisey's Bay-style mafic-ultramafic intrusive hosted nickel-copper-PGE sulphide deposit.

In May 2011, Talisman completed an initial 1,452m-deep diamond hole (SHD001A) co-funded as part of the WA State Government Exploration Incentive Scheme (EIS) and designed to test a large magnetic body identified by a detailed airborne magnetic survey (Figure 6).

1m split sample assays for the RC drilling were received during the December Quarter. For the most part, these new assay results have upgraded the previous 4m composite intercept gold grades, albeit over slightly narrower intervals (Table 3).

RC drilling at the **Mt Maitland South Prospect** in 2011 intersected near-surface gold mineralisation along a broad shear zone over a strike length of at least 440m. The best result to date is:

- **MUDC008 - 9m @ 2.54g/t Au from 10m (including 2m @ 8.12g/t Au)**

RC drill holes were also drilled to test the Lenanphyl Prospect along the Muddawerrie Trend. Drilling returned widespread low-level gold anomalism associated with quartz veining in banded iron formation and felsic sediments. The drilling results indicate that the mineralised iron formation at Lenanphyl dips steeply to the east rather than to the west as previously interpreted and was therefore

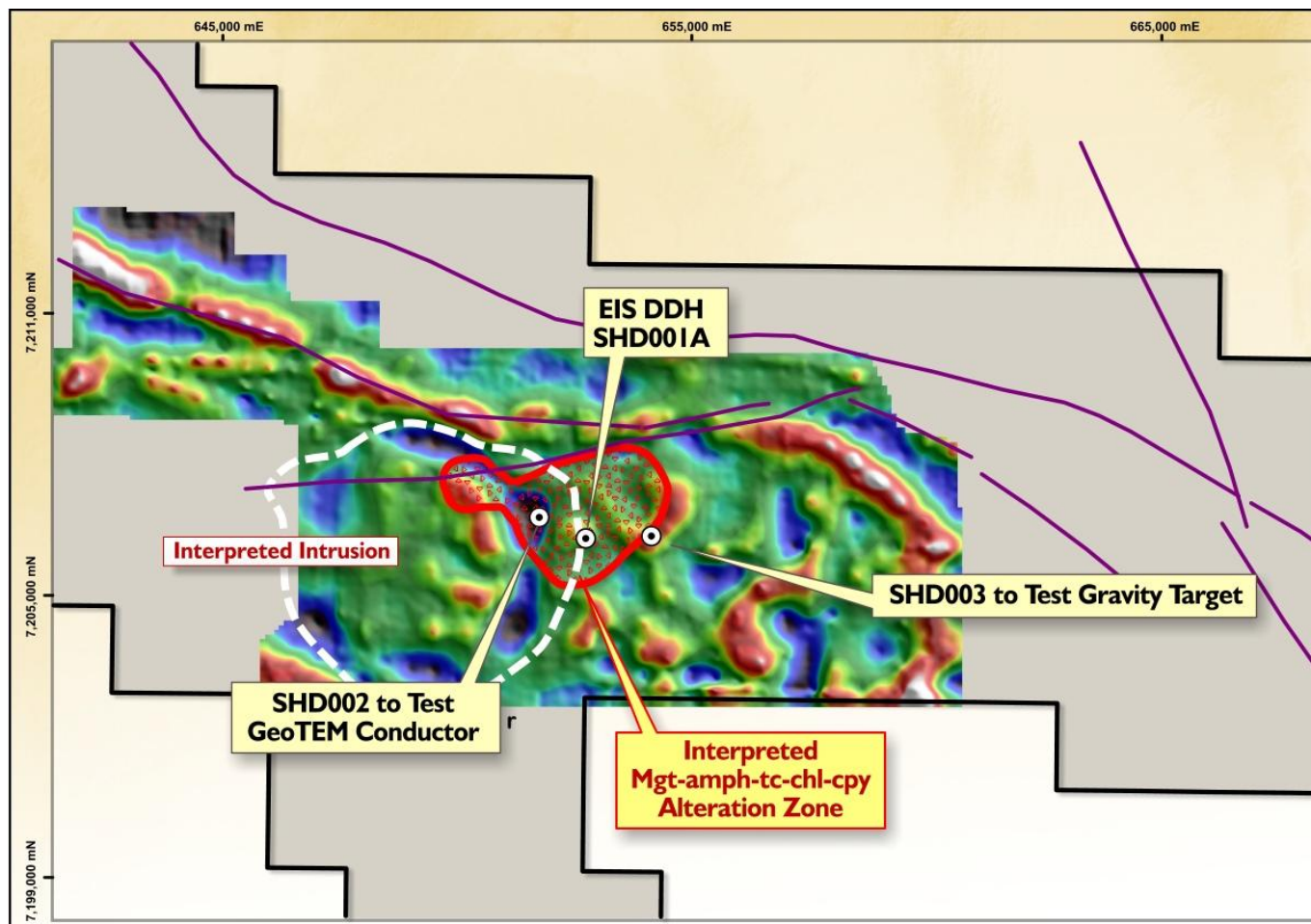


Figure 6 – Shelby Project revised Gravity Image

The mafic-ultramafic rocks and strong magnetite-amphibole-chlorite alteration intersected by SHD001A demonstrated encouraging evidence that Shelby could host a large iron oxide-copper-gold mineralising system. Furthermore, metal deposition is evident in SHD001A with chalcopyrite mineralisation (to a maximum of 468ppm or 0.0468% Cu) and elevated gold (to 84ppb) in zones of stronger alteration.

A follow-up diamond drilling programme was completed during the December quarter to test two geophysical targets for Cu-Au sulphide mineralisation adjacent to the main magnetic anomaly.

SHD002 was designed to test a strong GeoTEM electromagnetic conductor for Cu-Au mineralisation on the western flank of the major magnetic anomaly. Drill hole SHD002 encountered sections of broken and cavernous ground including swelling clays with an intersection of degraded pyrite layers above a large cavity containing highly saline water which may explain this conductor.

SHD003 was designed to test a residual gravity anomaly for Cu-Au mineralisation immediately east of the main magnetic anomaly and tested in drill hole SHD001A. The hole intersected a thick sequence of Bangemall Basin sediments to an end-of hole depth of 692m and failed to reach basement lithologies. The gravity anomaly remains largely unaccounted for with reinterpretation and planning underway for follow-up exploration activities during 2012.



A detailed infill gravity survey was completed during the quarter over the Shelby magnetic anomaly and immediate environs to test for gravity anomalism that may be associated with dense iron oxide-copper-gold mineralisation. Approximately 1,141 stations were collected along 250m spaced lines and 200m station spacing.

The processed data has been received and highlights several discrete gravity anomalies worthy of follow-up. 3D modelling is underway to determine the attitude, depth and amplitude of these anomalies prior to further drilling.

### **CORPORATE**

At the end of the December quarter, Talisman maintained a very strong cash position of **\$37M** providing an excellent platform to continue the systematic exploration of its current stable of quality assets. With this funding capacity and proven ability to execute deals, Talisman also places itself in a position to take advantage of new growth opportunities and acquisitions in the region that will compliment an evolving pipeline of quality projects.

**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.*



**Table 1 – Springfield Aircore Drilling Results; Significant Intercepts (>0.04% Cu)**

| Hole    | MGA E  | MGA N   | From | To  | Width (m) | Cu%  |
|---------|--------|---------|------|-----|-----------|------|
| SPRB507 | 739896 | 7176492 | 18   | 21  | 3         | 0.04 |
| SPRB527 | 742380 | 7175818 | 21   | 30  | 9         | 0.07 |
| SPRB529 | 742403 | 7175572 | 66   | 72  | 6         | 0.06 |
| SPRB531 | 742424 | 7175418 | 24   | 36  | 12        | 0.05 |
| SPRB533 | 742411 | 7175245 | 18   | 45  | 27        | 0.04 |
| SPRB536 | 742405 | 7175017 | 21   | 27  | 6         | 0.06 |
| SPRB543 | 742398 | 7174456 | 30   | 49  | 19        | 0.05 |
| SPRB556 | 743209 | 7177151 | 60   | 63  | 3         | 0.11 |
| SPRB566 | 741001 | 7175620 | 96   | 102 | 6         | 0.04 |

**NB: All samples were taken as 3m composites**

**Table 2: Springfield RC/Diamond Drill Results (>0.05% Cu)**

| Prospect | Hole ID | Easting     | Northing     | Dip | Azimuth | From (m) | To (m) | Intercept (m) | Copper (%) |
|----------|---------|-------------|--------------|-----|---------|----------|--------|---------------|------------|
| Central  | SPD028  | 740946.3    | 7172001      | -60 | 0       | 194      | 195    | 1.00          | 0.05       |
| Central  | SPD030  | 741823.2    | 7172373      | -60 | 189     | 180      | 181    | 1.00          | 0.06       |
| Central  | SPD032  | 741823.2    | 7172373      | -90 |         | 44.5     | 45     | 0.50          | 0.24       |
| Homer    | SPD034  | 739640.3    | 7174283      | -60 | 0       | 173      | 174    | 1.00          | 0.06       |
|          |         |             |              |     |         | 280      | 281    | 1.00          | 0.05       |
|          |         |             |              |     |         | 289      | 294    | 5.00          | 0.11       |
|          |         |             |              |     |         | 297      | 298    | 1.00          | 0.05       |
|          |         |             |              |     |         | 404      | 405    | 1.00          | 0.08       |
| Monty    | SPRC143 | 744378.5    | 7171488      | -60 | 180     | 166      | 168    | 2.00          | 0.06       |
| Homer    | SPRC145 | 739645.6    | 7174399      | -70 | 0       | 68       | 76     | 8.00          | 0.08       |
| Homer    | SPRC146 | 739637.9    | 7174748      | -60 | 180     | 50       | 52     | 2.00          | 0.05       |
| Homer    | SPRC147 | 739638.4    | 7174501      | -60 | 0       | 56       | 58     | 2.00          | 0.06       |
| Homer    | SPRC154 | 740403.5    | 7174677      | -60 | 0       | 24       | 28     | 4.00          | 0.06       |
|          |         |             |              |     |         | 32       | 34     | 2.00          | 0.05       |
| Homer    | SPRC155 | 740395.1    | 7175038      | -60 | 180     | 86       | 88     | 2.00          | 0.08       |
|          |         |             |              |     |         | 148      | 150    | 2.00          | 0.07       |
| Homer    | SPRC156 | 741999.8    | 7174706      | -60 | 0       | 138      | 144    | 6.00          | 0.05       |
|          |         |             |              |     |         | 148      | 152    | 4.00          | 0.05       |
| Homer    | SPRC157 | 742005.4    | 7174887      | -60 | 0       | 10       | 16     | 6.00          | 0.05       |
|          |         |             |              |     |         | 22       | 24     | 2.00          | 0.06       |
|          |         |             |              |     |         | 36       | 40     | 4.00          | 0.06       |
| Monty    | SPRC158 | 744368.0040 | 7171074.3690 | -60 | 180     | 16       | 20     | 4.00          | 0.06       |



**Table 3 – Muddawerrie RC Drilling Results; 1m Split Fire Assays**

| Prospect            | Hole_ID                 | From      | To        | Interval Width | Au g/t      | 1m Split Intercept      |
|---------------------|-------------------------|-----------|-----------|----------------|-------------|-------------------------|
| Maitland Sth        | MUDC004                 | 33        | 44        | 11             | 0.46        | 11m @ 0.46 g/t Au       |
| Maitland Sth        | MUDC005                 | 117       | 118       | 1              | 1.28        | 1m @ 1.28 g/t Au        |
| Maitland Sth        | MUDC005                 | 131       | 132       | 1              | 1.40        | 1m @ 1.40 g/t Au        |
| Maitland Sth        | MUDC005                 | 140       | 161       | 21             | 0.51        | 21m @ 0.51 g/t Au       |
| Maitland Sth        | <i>including</i>        | 151       | 152       | 1              | 2.84        | 1m @ 2.84 g/t Au        |
| Maitland Sth        | MUDC006                 | 33        | 36        | 3              | 0.20        | 3m @ 0.20 g/t Au        |
| Maitland Sth        | MUDC006                 | 45        | 56        | 11             | 0.88        | 11m @ 0.88 g/t Au       |
| Maitland Sth        | <i>including</i>        | 45        | 46        | 1              | 3.61        | 1m @ 3.61 g/t Au        |
| Maitland Sth        | MUDC006                 | 70        | 91        | 21             | 0.20        | 21m @ 0.20 g/t Au       |
| <b>Maitland Sth</b> | <b>MUDC008</b>          | <b>10</b> | <b>19</b> | <b>9</b>       | <b>2.54</b> | <b>9m @ 2.54 g/t Au</b> |
| <b>Maitland Sth</b> | <b><i>including</i></b> | <b>13</b> | <b>15</b> | <b>2</b>       | <b>8.12</b> | <b>2m @ 8.12 g/t Au</b> |
| Maitland Sth        | MUDC008                 | 39        | 40        | 1              | 2.19        | 1m @ 2.19 g/t Au        |
| Lenanphyl           | MUDC019                 | 28        | 30        | 2              | 0.40        | 2m @ 0.40 g/t Au        |
| Lenanphyl           | MUDC019                 | 34        | 45        | 11             | 0.18        | 11m @ 0.18 g/t Au       |
| N Lenanphyl         | MUDC012                 | 70        | 72        | 2              | 0.35        | 2m @ 0.35 g/t Au        |