



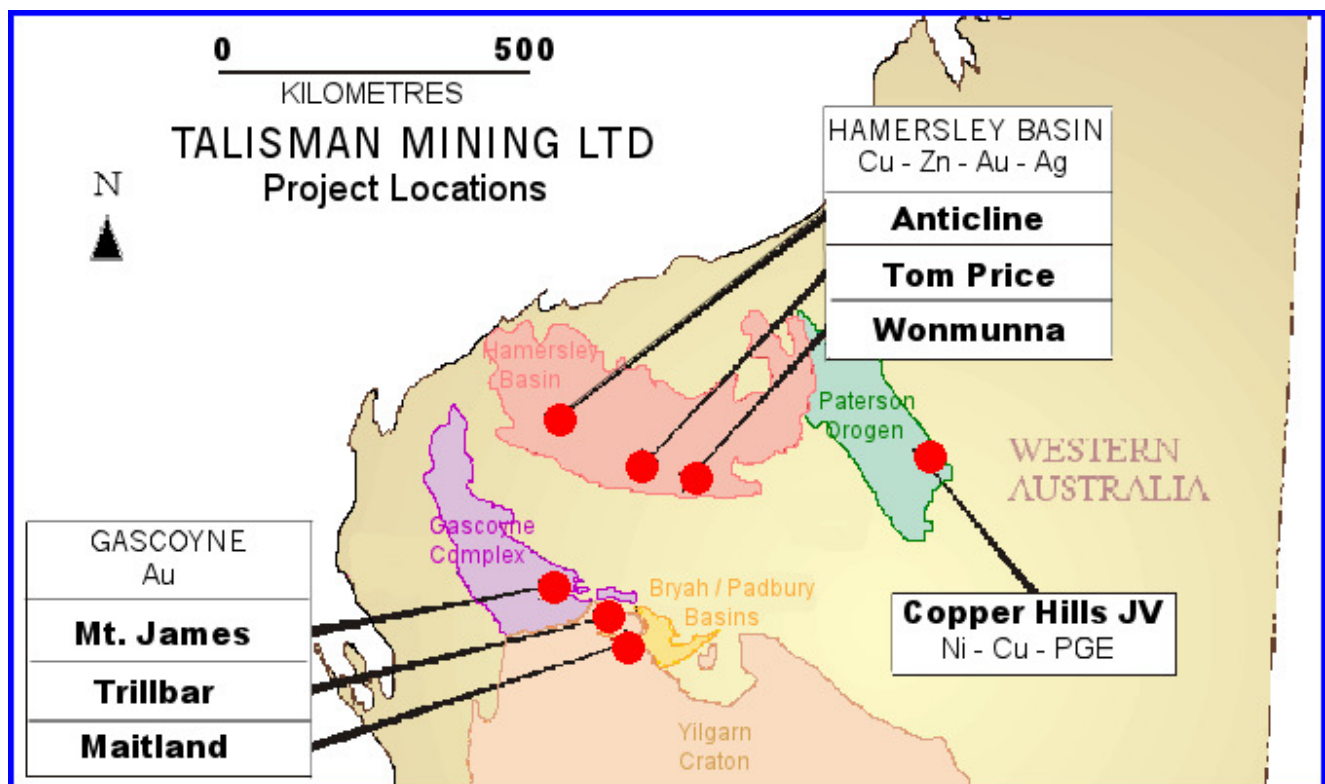
TALISMAN MINING LTD

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QUARTERLY REPORT FOR PERIOD ENDED 31 DECEMBER, 2005

HIGHLIGHTS

- ◆ **Completion of successful capital raising and subsequent listing on the Australian Stock Exchange, 25 November, 2005.**
- ◆ **Completion of first RC drill program of 26 drillholes for 1626 metres at the Boundary Gold Prospect, Trillbar Project. Results available in March Quarter, 2006.**
- ◆ **Two RC drillholes completed for 129 metres at the Winja Gold Prospect, Trillbar Project. Results available in March Quarter, 2006.**
- ◆ **Discovery, during the course of iron ore exploration activities, of previously unknown stratiform copper mineralisation at Schwanny's Prospect, Wonmunna Project. Composite grab sample assayed 20% copper, 0.23g/t gold, 8g/t silver, 0.11g/t platinum.**
- ◆ **First pass drilling of pisolitic CID (Channel Iron Deposits) completed by Poondano Exploration Pty Ltd at the Company's Wonmunna Project under the terms of the iron ore royalty agreement with that Company. Drill results to 4 metres @ 56.2% Fe.**



ACTIVITIES REPORT

GOLD

TRILLBAR PROJECT (80% Talisman Mining Ltd, 20% Murchison Resources Ltd)
(E52/1597, E52/1607, ELA52/1691)

Boundary Prospect

An RC drilling program of 26 drillholes for 1626 metres was completed at the Boundary gold prospect commencing immediately on completion of the Company's successful capital raising and listing on the Australian Stock Exchange. Drillholes were sited to infill previous explorers drilling in the previously defined mineralisation (314,000 tonnes @ 2.2g/t gold). The majority of drillholes were sited to intersect the mineralisation at depths from surface to 80 metres vertical over a strike length of 470 metres. Two short drill traverses were completed to explore for strike extensions 80 metres to the east and 80 metres to the west.

Composite grab samples over 4 metre intervals have been submitted for analysis for gold. Anomalous intervals will be resampled at 1 metre intervals and fire assayed to provide firm results. Results will be available for release in the March Quarter, 2006.

Further drilling to test for depth and strike extensions to the mineralisation is planned for commencement on February 1, 2006. Results of this program, together with the results of the first program, will allow for re-assessment of the mineralisation and re-calculation of the contained gold resource.

Winja Prospect

Two RC drillholes were completed to confirm a previous explorers (Western Mining Corporation Ltd; 1986 - 1991) reconnaissance drill intercept of 2 metres at 2.86g/t gold. A third planned drillhole was not completed owing to failure of the contracted drilling rig.

Composite grab samples over 4 metre intervals have been submitted for analysis for gold. Anomalous intervals will be resampled at 1 metre intervals and fire assayed to provide firm results. Results will be available for release in the March Quarter, 2006.

Abundant talc mineralisation was observed in both drillholes. Although gold remains the priority, this fortuitous intercept will be further assessed, particularly given the proximity to the operating Mount Seabrook talc mine 5 kilometres to the west.

MAITLAND PROJECT (80% Talisman Mining Ltd, 20% Murchison Resources Ltd)
(E51/1006)

No exploration activities were completed during the Quarter.

MOUNT JAMES PROJECT (100% Giralia Resources NL – Talisman earning 60%)

No exploration activities were completed during the Quarter.

COPPER – ZINC – GOLD - SILVER

WONMUNNA PROJECT (100% Talisman Mining Ltd, Iron ore royalty agreement with Poondano Exploration Pty Ltd)
(E47/1137)

Schwanny's Prospect

During the course of iron ore exploration being completed by Poondano Exploration Pty Ltd, outcrops of previously unrecorded copper mineralisation were located and subsequently designated as Schwanny's Prospect.

Mineralisation is expressed at surface primarily as malachite (copper carbonate) with a single composite grab sample assaying 20% copper, 0.23g/t gold, 8g/t silver, 0.11g/t platinum, 0.08g/t palladium. The mineralisation outcrops intermittently through cover over 80 metres of strike and is up to 3 metres thick. Potential exists for a considerably longer strike extent beneath shallow cover to both the east and west. The mineralisation is associated with a carbonate bed in what appears to be an otherwise uniform sequence of sulphidic, carbonaceous shale.

The Company considers that this mineralisation, together with similar mineralisations at Ironstone, Sleepy Hollow, Bull and other as yet undiscovered mineralisations, offer considerable potential for the definition of a substantial copper – (gold – silver)

A short drilling program is planned to assess the mineralisation in the March Quarter, 2006.

Iron Ore

During the Quarter Poondano Exploration Pty Ltd completed a brief reconnaissance drilling program to evaluate the pisolitic CID (Channel Iron Deposits) previously discovered by Talisman. This work was completed under terms of the Iron Ore Royalty Agreement current between Poondano and Talisman.

A total of 21 drillholes for 240 metres were completed over an area approximately 3 kilometres by 300 metres. The best iron intercepts are listed in Table 1 below.

Whilst the iron results are at the lower end for a saleable product, Poondano have expressed encouragement with the results as the drilling has clearly shown the presence of CID, thickening to the east. Over 20 kilometres of strike remains untested by drilling in this direction. Poondano intend to complete reconnaissance drilling in this area in the March Quarter, 2006.

Table 1: Poondano Exploration Pty Ltd CID Reconnaissance Drill Intercepts >50% Fe

Hole No	Intersection (m)	Fe%	Highest 2m interval	Phosphorous
TRC 4	4	51.2	2m @ 51.9% Fe	0.033%
TRC 8	6	54.3	4m @ 56.2% Fe	0.028%
TRC 9	4	54.7	2m @ 56.0% Fe	0.024%
TRC 10	12	51.5	8m @ 52.4% Fe	0.034%

TOM PRICE PROJECT (100% Talisman Mining Ltd, Iron ore royalty agreement with Fortescue Metals Group Ltd)
(E47/1136)

No exploration activities were completed during the Quarter. De Beers Exploration (Australia) Pty Ltd served notice of their intention to withdraw from the diamond joint venture.

ANTICLINE PROJECT (100% Talisman Mining Ltd, Iron ore royalty agreement with Fortescue Metals Group Ltd)
(E47/1194, E47/1195, E47/1196)

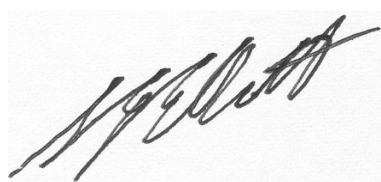
No exploration activities were completed during the Quarter. De Beers Exploration (Australia) Pty Ltd served notice of their intention to withdraw from the diamond joint venture.

NICKEL – COPPER – PGE

COPPER HILLS PROJECT (100% Talisman Mining Ltd – Western Platinum NL earning 70%)
(E45/2377, E45/2378)

No exploration activities were completed by Western Platinum NL, a wholly owned subsidiary of Western Areas NL, during the Quarter.

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 2005

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	(132)	(146)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(70)	(85)
1.3	Dividends received		-
1.4	Interest and other items of a similar nature received	23	23
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	(179)	(208)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	(350)	(350)
	(b)equity investments	-	-
	(c) other fixed assets	-	-
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	(350)	(350)
1.13	Total operating and investing cash flows (carried forward)	(529)	(558)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(529)	(558)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,872	3,134
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)	(310)	(378)
	Net financing cash flows	2,562	2,756
	Net increase (decrease) in cash held	2,033	2,198
1.20	Cash at beginning of quarter/year to date	169	4
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,202	2,202

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	51
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 services and directors salaries.

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

- 1m shares at 20 cents (\$200,000) for interests in projects (Murchison Resources P/L).
- \$132,575 of loans payable to directors and related entities forgiven.

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	2,202	169
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,202	169

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		Nil		
6.2 Interests in mining tenements acquired or increased		Nil		

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	36,798,006	21,575,868		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	23,160,500	13,160,500		
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>	3,900,000	-	<i>Exercise price</i> 25 cents	<i>Expiry date</i> 30 June 2008
7.8 Issued during quarter				
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: ..30...January 2006.....
(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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