

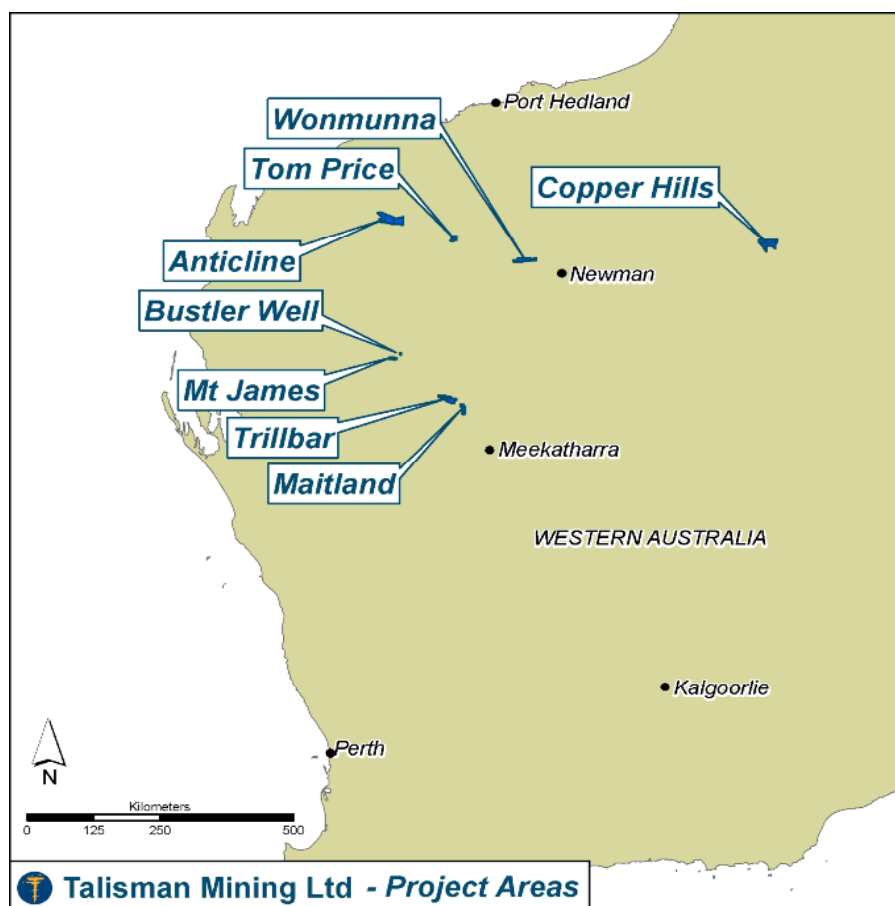


## TALISMAN MINING LTD

PO Box 1834, Osborne Park WA 6916  
Tel: 61 8 9445 8282 / Fax: 61 8 9445 9575  
[www.talismanmining.com.au](http://www.talismanmining.com.au)

# QUARTERLY REPORT APRIL – JUNE 2006

## MINERAL PROJECTS



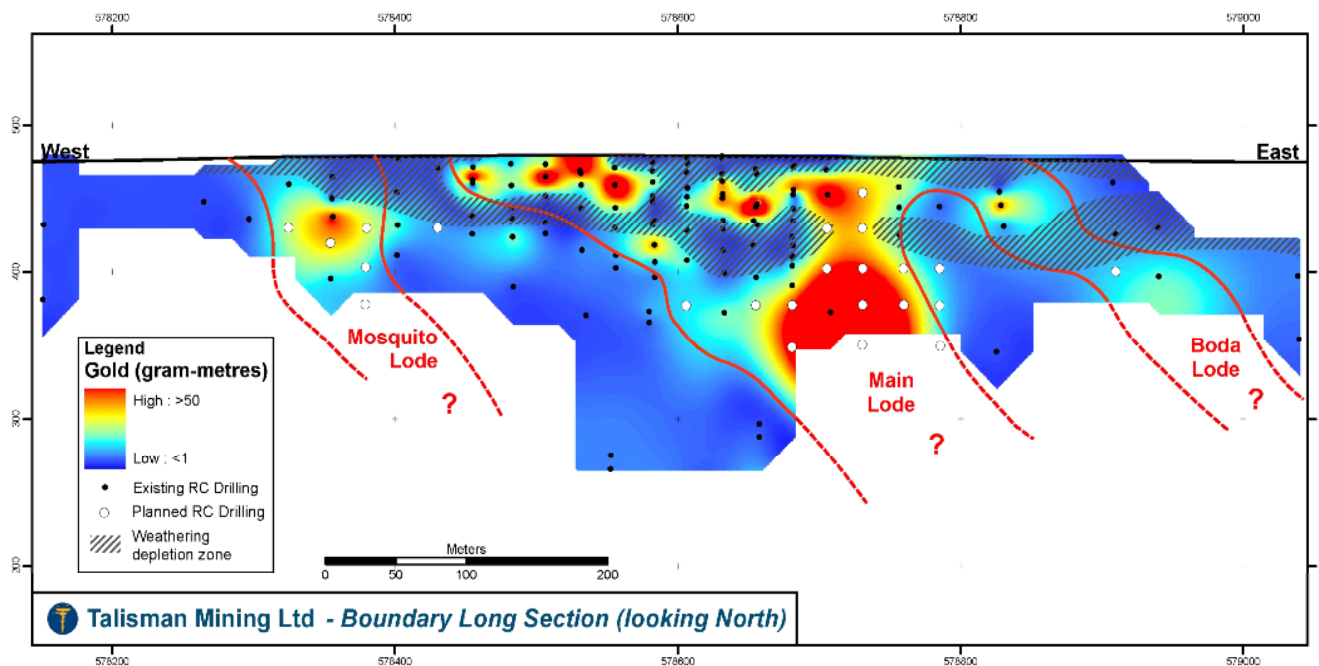


## TRILLBAR GOLD PROJECT (80% Talisman)

No drilling was completed during the Quarter due to delays in acquiring a drilling rig and in obtaining Aboriginal Heritage clearance. Exploration activities during the Quarter were therefore limited to re-interpretation of all preceding drilling data, planning and marking out further drilling, and completion of a detailed, low-level aeromagnetic survey.

At the **Boundary** prospect (Figure 1), re-interpretation of all preceding drill data obtained by Talisman, and previous explorers, has indicated that the mineralisation comprises three steeply dipping, east to northeast plunging lodes, from west to east; Mosquito, Main, Boda. This interpretation is significant as it shows that whilst previous drilling has indicated that the mineralisation is closed-off along strike to the west, further plunging lodes may occur beyond this apparent termination.

**Figure 1**



The most recent drilling, completed in the previous Quarter, has also indicated that the mineralisation continues strongly at depth to at least 120 metres vertical, remaining open below this depth.

Infill drilling at Boundary has commenced, together with deeper drilling targeted at potential depth extensions of the mineralisation below 120 metres. Results of this drilling are expected to be available by end of August, 2006, with a resource recalculation to be completed directly thereafter.

Extensional drilling at the **Winja** prospect is also currently in progress with results also expected by end August, 2006. This drilling is targeted at defining east and west extensions of the mineralisation, currently restricted to a single drill traverse.

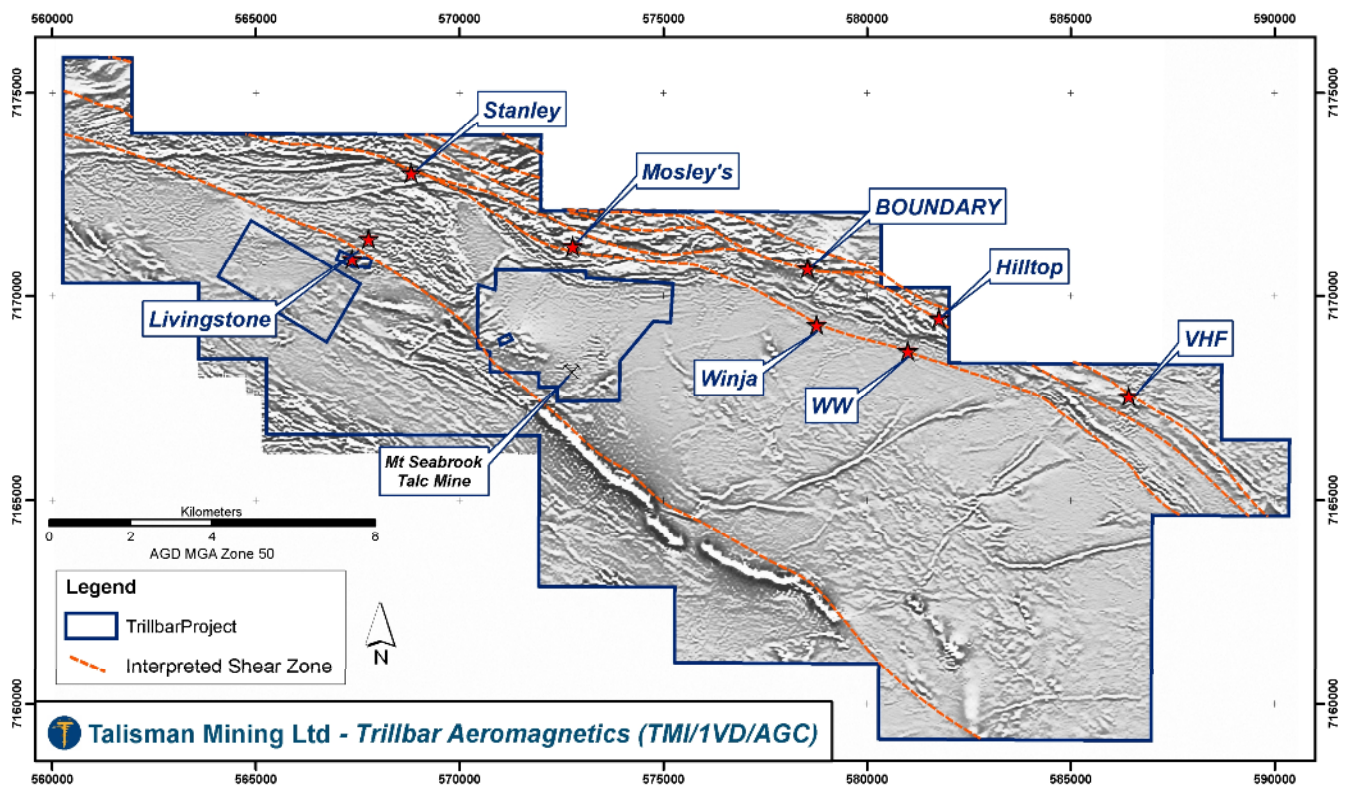


A detailed, low-level aeromagnetic / radiometric survey completed for Talisman has confirmed the Company's previous interpretation of west-northwest trending major faults/shears associated with the known gold mineralisation in the project area (Figure 2). These semi-parallel structures occupy a total strike length of over 25 kilometres in the project area, much of this strike being beneath shallow cover and untested by drilling.

A new gold anomaly has been defined at Mosley's (Figure 2) where a prospector has reported metal detecting a number of small gold 'slugs'.

Talisman has commenced a program of shallow geochemical rotary air blast (RAB) drilling over the target structures for a strike length of 7 kilometres west of Boundary and Winja. This drilling, to be completed on 400x40 metre centres, is designed to test saprolite beneath cover to define gold anomalies for subsequent testing by reverse circulation (RC) drilling.

**Figure2**



### MAITLAND GOLD PROJECT (80% Talisman)

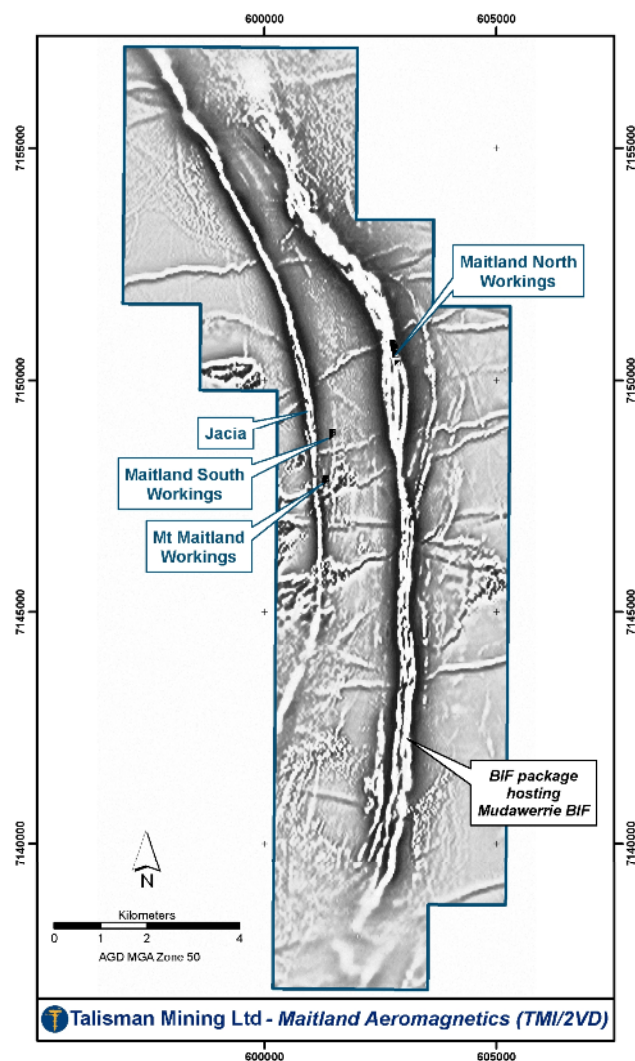
A detailed, low-level aeromagnetic / radiometric survey has been completed for Talisman with this survey clearly showing the banded iron formation (BIF) package, host to the gold-mineralised Mudawerrie BIF, on the western margin of the greenstone belt (Figure 3). The Mudawerrie BIF, previously traced in intermittent outcrop over a strike length of 12 kilometres, has now been indicated by the aeromagnetic data to continue beneath cover for an additional 6.5 kilometres for a total strike of 18.5 kilometres.



The Mudawerrie BIF, shown by rock geochemistry to be gold anomalous, to **4g/t gold**, over the 12 kilometres of outcropping strike, remains a significant virgin target for the Company with good potential for the delineation of a large, high-grade gold resource.

Gridded soil geochemistry over the Mudawerrie BIF has commenced with initial results anticipated by mid-August, 2006. Follow up RC drilling to test delineated anomalies is planned for commencement in September-October, 2006

**Figure 3**



### **MOUNT JAMES GOLD PROJECT (Talisman earning 60%)**

No exploration activities were completed during the quarter.

A program of soil geochemistry is planned for completion in the subsequent quarter.

**BUSTLER WELL GOLD PROJECT (80% Talisman)**

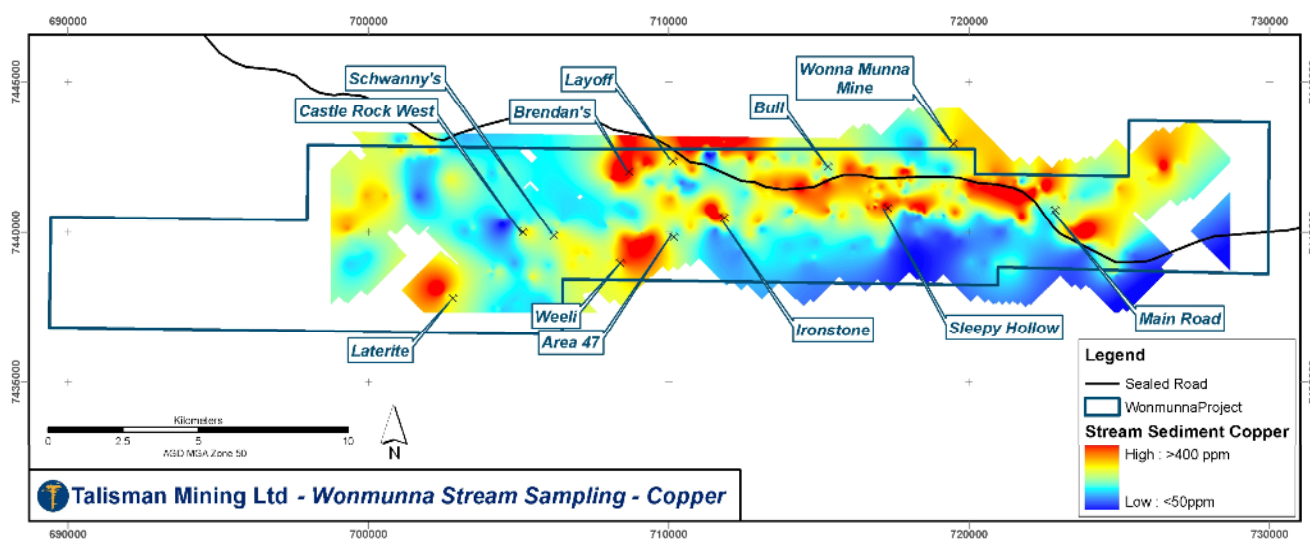
No exploration activities were completed during the quarter.

A program of soil geochemistry is planned for completion in the subsequent quarter.

**WONMUNNA Cu-Zn-Au-Ag / IRON PROJECT (100% Talisman, Royalty Agreement (Iron Ore) with Poondano Exploration Pty Ltd)**

During the Quarter stream sediment geochemistry was completed over the majority of the project area with a total of 454 minus 2mm samples collected and assayed for copper, zinc and gold (Figure 4). This work delineated a number of coherent anomalies with predominantly coincident copper, zinc and gold to maxima of **3992ppm**, **2151ppm** and **90ppb** respectively. It is significant to note that a number of significant anomalies are in drainages not associated with known occurrences of outcropping copper mineralisation. These results indicate good potential for the discovery of additional areas of oxide copper mineralisation.

**Figure 4**



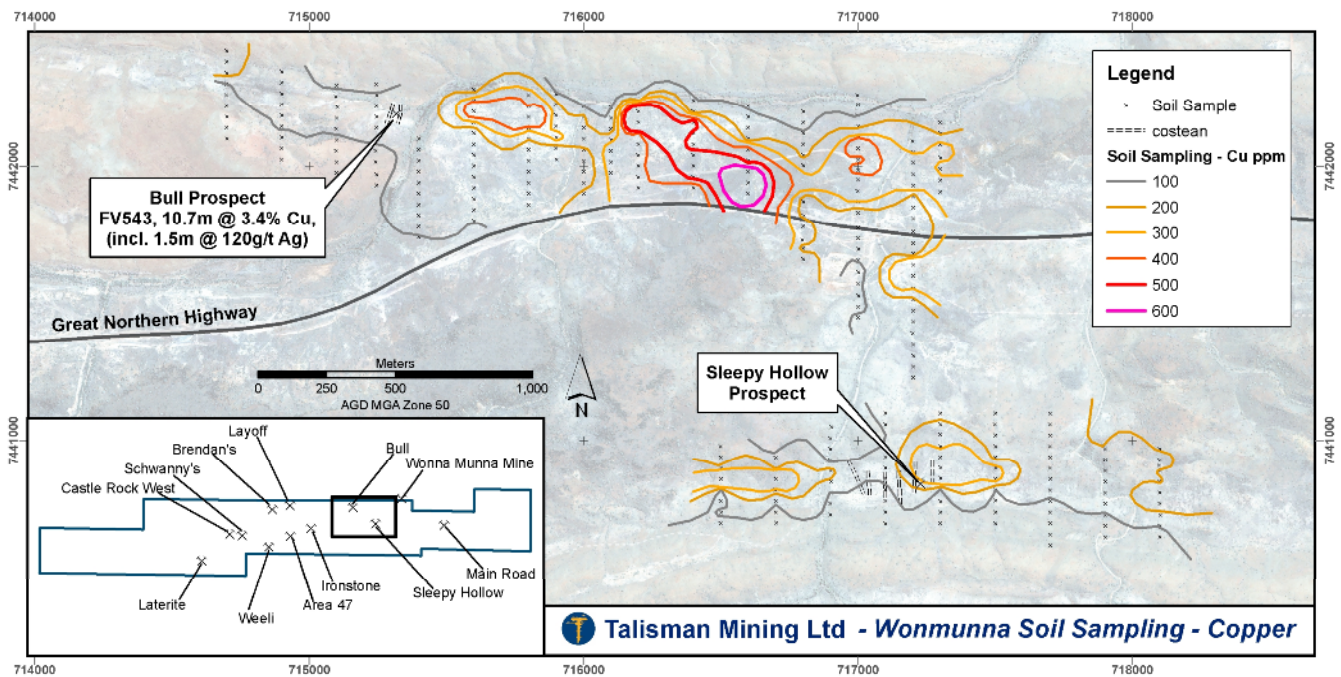
Rock chip sampling (18 samples) carried out in association with this work returned encouraging results from areas of known mineralisation. Results included values up to **18.24% copper**, **0.11g/t gold**, and **58.1g/t silver**.

Soil geochemical surveys (282 samples) have also been completed over the Bull and Sleepy Hollow prospect areas (Figure 5), results of which have been detailed in a previous release to the Australian Stock Exchange dated July 26, 2006, and repeated below.





Figure 5



At the **Bull** prospect, the defined copper-in-soil anomaly occurs along strike to the east from shallow oxide copper mineralisation previously located by Western Mining Corporation (WMC) (1969-1975) in costeans and shallow drillholes, and continues to the east for 1700 metres, remaining open in that direction, and over widths from 40 to 120 metres. Copper recorded results to **1186ppm**, over a background of 150ppm, coincident with strongly anomalous zinc to **1798ppm**, gold to **80ppb** and silver to **1.8ppm**.

Mineralisation is associated with weathered sulphidic black shale of the Jeerinah Formation with the soil anomaly being coincident with a regional west to west-northwest trending fault system interpreted from an aeromagnetic survey recently completed for the Company. Drilling by WMC at the original Bull prospect near the western termination of the soil anomaly reported results to **10.7 metres @ 3.4% copper** (FV543; 3-10.7m), including **1.5 metres @ 120g/t silver** (7.6-9.1m). Gold was not assayed.

It especially significant to note that the original WMC mineralisation at Bull is situated along strike from, but external to, the soil geochemical anomaly.

At the **Sleepy Hollow** prospect, the defined copper-in-soil anomaly is contiguous with, and defines strike extensions of, near surface oxide copper mineralisation previously located by WMC in costeans and shallow drillholes. The soil copper anomaly has been defined intermittently over a total strike in excess of 600 metres, remaining open to both the east and west, with copper reporting to **940ppm** with coincident zinc to **3073ppm**, gold to **20ppb** and silver to **1.5ppm**.



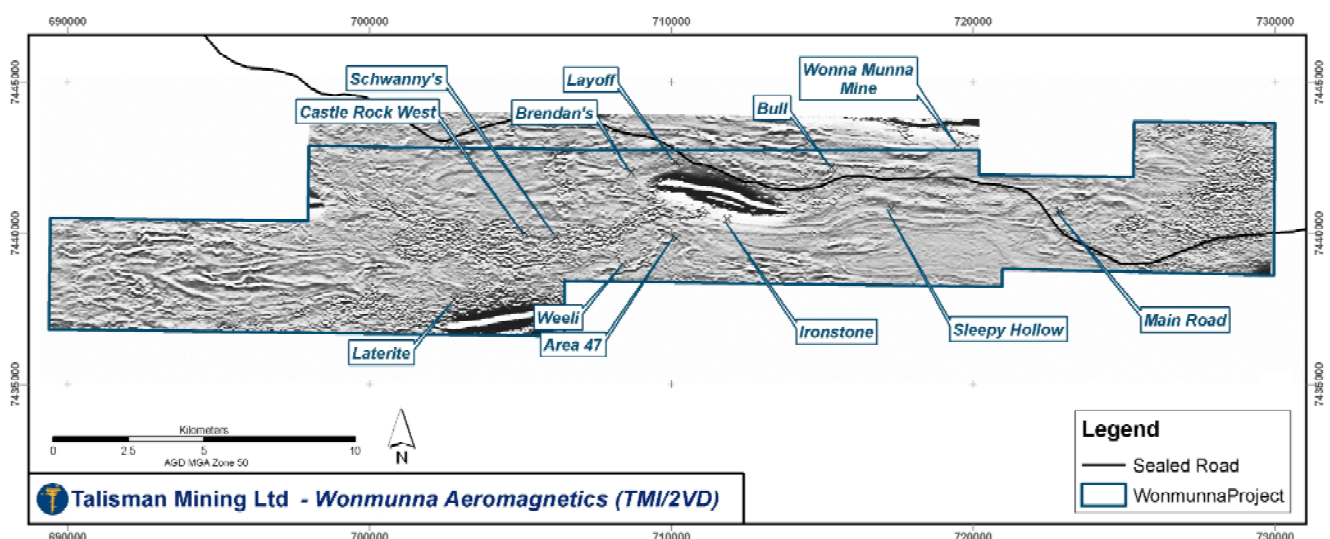
The soil anomaly is associated with weathered sulphidic black shale of the Jeerinah Formation, probably a fold repetition of the Bull prospect shales, with Bull being situated on the north limb of the Parmelia Syncline, Sleepy Hollow on the south limb. The soil anomaly is also coincident with the Parmelia copper-zinc-gold-silver gossan previously discovered by Talisman and possibly indicative of massive sulphide mineralisation. Although insufficient information was provided to accurately plot the drillholes, WMC reported shallow drillholes in the general vicinity of Sleepy Hollow containing up to **15.2 metres @ 0.43% copper** (FV506; 0-15.2m (end of hole)) and **30.5 metres @ 0.37% copper** (FV528; 0-30.5m (end of hole)). Silver results were less than 10ppm and gold was not assayed.

A detailed, low-level aeromagnetic / radiometric survey completed for Talisman clearly defines the various lithologies present in the project area, including the Jeerinah Formation, host to the copper mineralisation (Figur 6). Fold and fault structures are also clearly evident, providing clear targeting information for ongoing exploration. Interpretation is ongoing.

Collectively, the near surface oxide copper mineralisation previously located by Western Mining Corporation Ltd (1969-1975), additional occurrences subsequently discovered by Talisman, new occurrences indicated by the stream sediment geochemistry, and the large, strong copper-zinc-gold-silver anomalies defined by first pass soil geochemistry, indicate excellent potential for the delineation of a substantial base and precious metals resource proximal to existing transport and mining infrastructure.

Follow up soil geochemistry is ongoing with the objective of defining targets for first pass drill evaluation in the latter half of 2006.

Figure 6





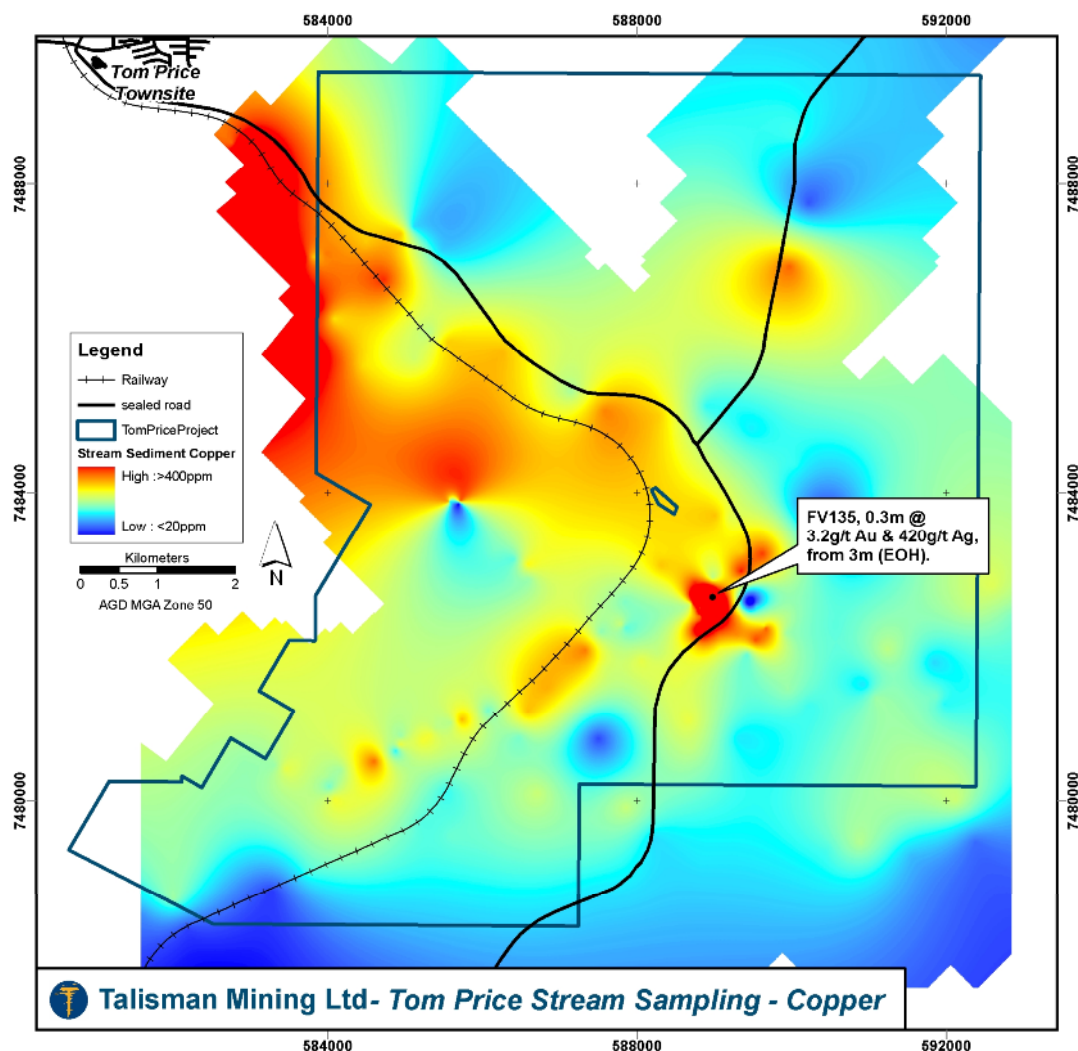
**TOM PRICE Cu-Zn-Au-Ag / IRON PROJECT** (100% Talisman, Royalty Agreement (Iron Ore) with Fortescue Metals Group Ltd)

Stream sediment geochemistry (151 -2mm stream sediment samples), and 9 rock chip samples, has been completed over the Tom Price project area with results indicating strong copper, zinc, gold and silver anomalism associated with sulphidic black shale of the Jeerinah Formation (Figure 7). This anomalism is concentrated over a strike length of at least 6 kilometres along the northern limb of the Turner Syncline and includes an area previously the subject of shallow drilling by WMC which reported widespread ore-grade copper, gold and silver anomalism, including drillhole FV135; **0.3m (3-3.3m (end of hole)) @ 3.2g/t gold and 420g/t silver.**

Results achieved to date indicate strong potential for both oxide and sulphide base and precious metals mineralisation, similar to that indicated at Womunna.

Follow up soil sampling is being completed preparatory to follow up drilling in the second half, 2006.

**Figure 7**







**ANTICLINE Cu-Zn-Au-Ag / IRON PROJECT** (100% Talisman, Royalty Agreement (Iron Ore) with Fortescue Metals Group Ltd)

No exploration activities were completed during the quarter.

A program of stream sediment geochemistry is planned for completion in the subsequent quarter.

**COPPER HILLS Ni-Cu-PGE PROJECT** (100% Talisman, Western Platinum NL earning 70%)

No exploration activities were completed by Western Platinum NL during the Quarter.

A handwritten signature in black ink, appearing to read 'S. J. Elliott', written over a light grey background.

**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 June 2006

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12..... months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(332)	(731)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(130)	(330)
1.3	Dividends received		-
1.4	Interest and other items of a similar nature received	17	61
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	<b>Net Operating Cash Flows</b>	<b>(445)</b>	<b>(1,000)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a)prospects	-	(350)
	(b)equity investments	-	-
	(c) other fixed assets	(4)	(53)
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)	-	-
	<b>Net investing cash flows</b>	<b>(4)</b>	<b>(403)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(449)</b>	<b>(1,403)</b>



1.13	Total operating and investing cash flows (brought forward)	(449)	(1,403)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	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)	8	(370)
	<b>Net financing cash flows</b>	8	2,764
	<b>Net increase (decrease) in cash held</b>	(441)	1,361
1.20	Cash at beginning of quarter/year to date	1,806	4
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,365	1,365

### 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	62
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 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

--

- 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	
<b>Total</b>	<b>400</b>

**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	1,365	1,806
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,365</b>	<b>1,806</b>

**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			





## 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 <b>Preference securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	36,798,006	21,575,868		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	3,900,000	-	Exercise price 25 cents	Expiry date 30 June 2008
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				



## 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: .....  
(Company secretary)

Date: .. July 2006.....

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.

== == == == ==