

TALISMAN MINING LIMITED

ABN 71 079 536 495

SHORT FORM PROSPECTUS

For a non renounceable entitlements issue of 1 Option for every 3 Shares held by Shareholders at an issue price of 1 cent per Option to raise approximately \$134,326 (Offer).

and

For the offer of up to 7,000,000 Shares at an issue price of 16 cents per Share to raise up to approximately \$1,120,000 (Placement Offer).

and

For the offer of 1,000,000 Shares under the North Trillbar Tenement Acquisition Agreement

IMPORTANT NOTICE

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document, the information of which is deemed to be incorporated in this Prospectus.

IMPORTANT NOTICE

This Prospectus is dated 18 October 2006.

A copy of this Prospectus was lodged with the ASIC on 18 October 2006. The ASIC takes no responsibility for the contents of this Prospectus.

No Securities will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made to ASX within seven (7) days after the date of this Prospectus for admission of the Securities offered by this Prospectus to Official Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company and the Securities offered under this Prospectus must be regarded as a speculative investment. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment or the future value of the Securities.

The distributions of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This Prospectus does not constitute an offer of Securities in any place in which, or to any person to whom it would not be lawful to make the Offers.

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in documents that have been lodged with the ASIC.

This Prospectus refers to the prospectus issued by the Company dated 19 September 2005 (**IPO Prospectus**).

In referring to the IPO Prospectus the Company:

- (a) identifies the IPO Prospectus as being relevant to the offer of Securities pursuant to this Prospectus and containing information that will provide investors and their professional advisers information to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to the Securities;
 - (ii) the capacity of the Company to issue the Securities; and
 - (iii) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company;
- (b) refers investors and their advisers to Section 6 of this Prospectus which summarises the information in the IPO Prospectus deemed to be incorporated in this Prospectus;
- (c) informs investors and their advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus by contacting the Company at its registered office during normal business hours between the date of this Prospectus and the

Closing Date; and

- (d) advises that the information in the IPO Prospectus will be primarily of interest to investors and their professional advisers and analysts.

This Prospectus also refers to the 2006 Annual Report lodged with ASX on 21 September 2006. In referring to the Annual Report the Company is updating information that has previously been provided.

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1. CORPORATE DIRECTORY

Directors

Non-Executive Chairman

Mr Ian Macpherson

Managing Director

Mr Steven Elliott

Non-Executive Director

Mr Michael Hannington

Company Secretary

Mr Lloyd Flint

Australian Business Number

71 079 536 495

Registered and Principal Office

Suite 12, Building B
5 Hasler Road
OSBORNE PARK WA 6017

Telephone: (08) 9445 8282
Facsimile: (08) 9445 9575

Postal Address

PO Box 1834
OSBORNE PARK WA 6916

Website

www.talismanmining.com.au

Auditor

Stantons international*
Level 1, 1 Havelock Street
WEST PERTH WA 6005

Share Registry

Advanced Share Registry Services*
110 Stirling Hwy
NEDLANDS WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Solicitors

Steinepreis Paganin
Lawyers & Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Lead Manager to the Placement Offer

RM Capital Pty Ltd
1175 Hay Street
WEST PERTH WA 6005

Telephone: (08) 9321 3277
Facsimile: (08) 9321 8399

* This entity has not been involved in the preparation of any part of this Prospectus and has not consented to being named in the Prospectus. Their name is included for information purposes only.

2. CHAIRMAN'S LETTER

Dear Shareholder

As announced to the Australian Stock Exchange (**ASX**) on 19 September 2006, the Board is pleased to offer shareholders the opportunity to participate in a pro rata 1 for 3 non renounceable entitlement issue of new options to subscribe for shares in the capital of Talisman Mining Limited.

The pro rata issue forms part of a larger capital raising initiative which includes the placement of up to 7,000,000 ordinary shares pursuant to a mandate letter dated 15 September 2006 with RM Capital Pty Ltd, licensed securities dealer.

Successful completion of this pro rata offer of options and the placement of shares to clients of RM Capital will enable the Company to raise a further \$1.25m (before costs) to fund our ongoing exploration programs at our primary project areas including Trillbar, Wonmunna and Maitland.

The Company will apply to ASX for Official Quotation of the Options.

In addition, as outlined herein, the Company is to offer and issue up to 7,000,000 Shares at an issue price of 16 cents per Share. Shareholders wishing to participate in the proposed placement of shares to clients of RM Capital should complete the Placement Offer Application Form as attached in accordance with the instructions set out in the form.

The Board takes this opportunity to thank Shareholders for their support since listing and looks forward to your continued support in the future.

Yours faithfully

Mr Ian Macpherson
Chairman

3. TIMETABLE FOR THE OFFER

Timetable for Offer

| EVENT | DATE |
|--|------------------|
| Prospectus lodged with ASIC and ASX | 18 October 2006 |
| Appendix 3B lodged with ASX | 18 October 2006 |
| Notice to be sent to Shareholders with details of the timetable, Appendix 3B and a statement that the Prospectus has been lodged with the ASX, and is available on the ASX website | 20 October 2006 |
| "Ex" date | 21 October 2006 |
| Record date for determining entitlements to Options | 27 October 2006 |
| Despatch Prospectus | 1 November 2006 |
| Closing Date for Offer | 16 November 2006 |
| Options quoted on a deferred settlement basis | 17 November 2006 |
| Company notifies ASX of under subscriptions for Offer | 20 November 2006 |
| Deferred settlement trading of Options ends and despatch date | 23 November 2006 |

*The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

The Directors reserve the right to place, in their discretion, any Shortfall Options within 3 months after the Closing Date, and the offer under this Prospectus for the Shortfall Options remains open until this date (unless the Directors resolve to close the offer earlier).

Timetable for Placement Offer

| EVENT | DATE |
|--|-----------------|
| Placement Offer Opens | 18 October 2006 |
| First Tranche of Placement Offer closes | 23 October 2006 |
| Despatch of holding statements (first tranche) | 24 October 2006 |
| Second Tranche of Placement Offer closes | 1 December 2006 |
| Despatch date | 6 December 2006 |

The Directors may extend the closing dates for the Placement Offer by making an announcement of an extension of this date on ASX prior to the relevant closing date.

4. INVESTMENT OVERVIEW

4.1 Important Notice

This section is not intended to provide full information for investors intending to apply for the Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.2 Summary of the Offers

| | |
|--|-------------|
| Offer price: | \$0.01 |
| Number of Options offered under Offer (approximately): | 13,432,668 |
| Placement Offer Price | \$0.16 |
| Number of Shares offered under the Placement Offer: | 7,000,000 |
| Number of Shares offered under the North Trillbar Offer ¹ | 1,000,000 |
| North Trillbar Offer price | Nil |
| Funds raised before expenses of offers: | \$1,254,326 |

1. The North Trillbar Offer is being made to the Vendor of the North Trillbar Tenement to satisfy the consideration. Please refer to Section 10.7 for a summary of the terms of this acquisition.

4.3 Purpose of the Offers

The purpose of the Offer and the Placement Offer is to raise up to \$1,254,326 to be used as follows:

| Description | If the Minimum Subscription of \$700,000 is reached \$ | If the Offer and the Placement Offer are fully subscribed \$ |
|----------------------------|--|--|
| 1. Exploration Programmes: | | |
| ▪ Trillbar | 320,000 | 320,000 |
| ▪ Maitland | 80,000 | 150,000 |
| ▪ Wonmunna | 80,000 | 120,000 |
| ▪ Mt James/Bustlers Well | 20,000 | 80,000 |
| ▪ Anticline/Tom Price | 30,000 | 170,000 |
| | 530,000 | \$840,000 |
| Expenses of Offers: | 78,429 | \$106,129 |
| Working Capital | 91,571 | \$308,197 |
| Total | \$700,000 | \$1,254,326 |

In the event that the number of Options subscribed for under the Offers and the number of Shares subscribed for under the Placement Offer is less than full subscription, the Company will scale back from its intended use of the proceeds of the Offer and the Placement Offer (less expenses) the funding of the Company's exploration programmes on Maitland, Wonmunna, Mt James/Bustlers Well and Anticline/Tom Price on a pro rata basis by up to \$310,000.

The purpose of the North Trillbar Offer is to satisfy the consideration agreed to be given by the Company for the acquisition of the North Trillbar Tenement pursuant

to the North Trillbar Acquisition Agreement. Please refer to Section 10.7 of this Prospectus for a summary of this agreement.

4.4 Capital Structure

The capital structure of the Company following completion of the Offers is summarised below:

| Shares | Number |
|---|-------------------|
| Shares on issue at the date of Prospectus | 36,798,006 |
| Shares now offered under the Placement Offer | 7,000,000 |
| Shares offered to the Vendor of the North Trillbar Tenement | 1,000,000 |
| Total Shares on issue at completion of the Offer, Placement Offer and North Trillbar Offer ¹ | 44,798,006 |

| Options | Number |
|--|-------------------|
| Existing options on issue at the date of Prospectus ² | 3,900,000 |
| Options now offered under the Offer ³ | 13,432,668 |
| Options payable as fees to RM Capital Pty Ltd | 4,200,000 |
| Total options on issue at completion of the Offer & Placement Offer ¹ | 21,532,668 |

Notes:

1. Assumes that the Offer and Placement Offer is fully subscribed, and the North Trillbar Acquisition Agreement completes in accordance with its terms.
2. 3,900,000 existing options are exercisable at 25 cents on or before 30 June 2008.
3. Assumes that 3,500,000 Shares are placed under the Placement Offer prior to the Record Date.

5. DETAILS OF THE OFFERS

The Company is making 3 separate offers pursuant to this Prospectus, namely the Offer to Shareholders by way of a non renounceable entitlements issue (**Offer**), the Placement Offer, and an offer of 1,000,000 Shares to the Vendor of the North Trillbar Tenement (**North Trillbar Offer**).

5.1 The Offer

The Company is making a pro-rata non renounceable entitlements issue of Options at an issue price of one cent (1 cent) each to raise approximately \$134,326 (before costs of the Offers) to Shareholders who are registered as at the Record Date.

Based on the capital structure of the Company as at the date of this Prospectus and on the assumption that 3,500,000 Shares are initially issued under the Placement Offer approximately 13,432,668 Options are to be issued. The Options will be offered on the basis of 1 Option for every 3 Shares held on the Record Date.

The Company also currently has 3,900,000 options on issue. The terms and conditions of these options do not allow participation by those optionholders in new issues of securities. Those optionholders will, however, be entitled to exercise their options during the time period set out in the ASX Listing Rules in order to participate in the Offer.

In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

This Offer is made on a non renounceable basis such that Shareholders who are registered as at the Record Date may not sell or transfer all or part of their entitlement to Options.

5.2 Entitlement

The number of Options to which each Shareholder is entitled is shown on the enclosed Acceptance Form.

Shareholders may accept their entitlement in full or in part by returning a completed Acceptance Form to the Manager of the Offer, RM Capital Pty Ltd, by no later than the Closing Date.

5.3 Acceptance of Offer

This Offer may be accepted in whole or in part. Acceptance and payment in full of 1 cent per Option must be received before the Closing Date. Instructions for completion and lodgement of acceptances are set out on the back of the enclosed Acceptance Form.

5.4 Action Required

If you wish to take up all of your entitlement, complete the enclosed Acceptance Form in accordance with the instructions set out in the form and lodge the form together with your cheque for the amount shown on the form so that it reaches the Share Registry:

By Hand or by Post: Advanced Share Registry, 110 Stirling Highway, Nedlands WA 6009

by no later than the Closing Date.

Cheques and drafts should be made payable to "Talisman Mining Limited" and crossed "Not Negotiable".

If you wish to take up part of your entitlement, complete the enclosed Acceptance Form in respect of the Options you wish to take up in accordance with the instructions set out in the form and lodge the form together with your cheque for the relevant amount (being the number of Options you wish to take up, multiplied by 1 cent per Option) so that it reaches the Share Registry, by no later than the Closing Date.

If you do not wish to take up any of your entitlement, you do not need to take any action and your entitlement to the Options will lapse.

5.5 Closing Date

The Closing Date for the Offer is 5.00pm (WST) on 16 November 2006. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

5.6 Shortfall

The Directors reserve the right to place, at their discretion, any Shortfall Options within 3 months after the Closing Date on the same terms and conditions as those Options issued to Shareholders under this Offer and as allowed by Exception 3 in ASX Listing Rule 7.2, and the offer under this Prospectus for the Shortfall Options remains open until that date (unless the Directors resolve to close earlier).

The Directors reserve the right to issue Shortfall Options pursuant to any Shortfall Application Forms at their absolute discretion. Related parties (as defined in the ASX Listing Rules) cannot participate in a placement of the Shortfall Options.

5.7 The Placement Offer

By this Prospectus, the Company makes an offer of up to 7,000,000 Shares at an issue price of 16 cents each. Applications for Shares under the Placement Offer must be made using the Placement Offer Application Form.

The Placement Offer will be undertaken in 2 tranches. This First Tranche of 3,500,000 Shares is proposed to be completed within 7 days after lodgement of this Prospectus. The Second Tranche of 3,500,000 Shares is subject to the receipt of shareholder approval at the forthcoming annual general meeting of the Company to be held prior to the end of November 2006. If shareholder approval is not received for the issue of the second tranche of 3,500,000 Shares prior to the end of November 2006, the second tranche of the Placement Offer will not proceed and application monies will be refunded in full without interest.

To apply for Shares under the Placement Offer, complete the enclosed Placement Offer Application Form in accordance with the instructions set out in the form.

Payment for the Shares must be made in full at the issue price of 16 cents per Share. Applications for Shares must be for a minimum of 5,000 Shares (being \$800) and thereafter in multiples of 1,000 Shares. Completed Placement Offer

Application Forms together with accompanying cheques must be mailed or delivered to the Share Registry:

By Hand or by Post: RM Capital Pty Ltd, 1175 Hay Street, WEST PERTH WA 6005

by no later than the Placement Offer Closing Date.

Cheques and drafts should be made payable to "Talisman Mining Limited" and crossed "Not Negotiable".

The Company reserves the right to close the Placement Offer early and to allot the Shares under the First Tranche of the Placement Offer as soon as valid application forms are received.

5.8 Manager to the Placement Offer

The Company engaged RM Capital Pty Ltd to act as lead manager to the Placement Offer pursuant to a Mandate executed 15 September 2006. RM Capital Pty Ltd will be entitled to 3 options for every 5 shares placed (subject to a minimum placement of 3.75m shares) up to a maximum of 4,200,000 options (on the same terms as the Options under the Offer) and a fee of 5% of the total amount raised under the Placement Offer. Assuming the Placement Offer is fully subscribed, RM Capital Pty Ltd will receive a total fee of \$56,000.

5.9 Minimum Subscription

The minimum subscription of the Offer and the Placement Offer under this Prospectus is \$700,000. No Securities will be allotted or issued under the Offer or the Placement Offer until the minimum subscription is reached. If the minimum subscription is not received within 4 months after the date of this Prospectus all application monies will be refunded in accordance with the Corporations Act.

5.10 North Trillbar Offer

By this Prospectus, the Company makes an offer to the Vendor of the North Trillbar Tenement of 1,000,000 Shares in consideration for the acquisition by the Company of the North Trillbar Tenement. A summary of the agreement to acquire the North Trillbar Tenement is included in Section 10.7 of this Prospectus. The full terms and conditions of the North Trillbar Offer are included in Section 13 of this Prospectus. Only the Vendor may accept the North Trillbar Offer. Accordingly do not complete the North Trillbar Acceptance Form unless requested to do so by the Company.

5.11 Allotment

It is anticipated that allotment of Securities offered under the Offer and Placement Offer by this Prospectus will take place in accordance with the timetable set out in Section 3 of this Prospectus.

Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

5.12 ASX Quotation

Application to ASX for admission of the Options and Shares to Official Quotation will be made by the Company within 7 days after the date of this Prospectus. Application for Official Quotation of Shares allotted and issued as a result of the exercise of Options issued under this Prospectus will be made within 3 Business Days of allotment and issue. If the Options are not admitted to Official Quotation on ASX within 3 months after the date of this Prospectus, none of the Options offered by this Prospectus will be granted. If the First Tranche of the Placement Shares or, separately, the Second Tranche of the Placement Shares are not admitted to Official Quotation on ASX within 3 months after the date of this Prospectus, then the relevant tranche of the Placement Shares will not be issued. In that circumstance, the relevant applications will be dealt with in accordance with Section 724 of the Corporations Act. If the Shares under the North Trillbar Offer are not admitted to Official Quotation on ASX within 3 months after the date of this Prospectus those Shares will not be issued under this Prospectus.

5.13 Overseas Shareholders

Only Shareholders who are registered as at 5.00pm WST on the Record Date with registered addresses in Australia and New Zealand will be able to participate in the Offer. Nor does the Prospectus make the Placement Offer to any person who is not a resident of Australia or New Zealand. To make the Offer and Placement Offer in any other jurisdiction may constitute a violation of application securities laws. The Directors believe that it is unreasonable to make the Offer and Placement Offer to Foreign Shareholders, having had regard to the number of Shareholders in the relevant jurisdictions, the number and value of Securities those Shareholders would be offered and the cost of complying with the securities legislation of those jurisdictions.

Accordingly, the Offer and Placement Offer is not being made, and no Securities will be issued to, any Shareholders whose registered address is in a country other than Australia or New Zealand. This Prospectus is being sent to Foreign Shareholders for information purposes only. No Application Form will be sent to Foreign Shareholders.

5.14 CHES

The Company participates in the Clearing House Electronic Subregister System (**CHES**). CHES is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

5.15 Risk Factors

Prospective investors in the Company should be aware that subscribing for Securities through this Prospectus involves a number of risks. These risks are set out in Section 10 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 10, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

5.16 Financial Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projected information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

5.17 Enquiries

If you have any questions concerning your entitlement, please contact RM Capital Pty Ltd by telephone on (08) 9321 3277 or facsimile (08) 9321 8399, or contact your professional adviser.

5.18 Privacy Statement

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application Form and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

6. INFORMATION DEEMED TO BE INCORPORATED

6.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however it incorporates by reference information contained in a document that has been lodged with the ASIC.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the IPO Prospectus and the Company's Annual Report by contacting the Company at its registered office during normal business hours until the Closing Date. The IPO Prospectus and the Company's Annual Report will also be available by searching the ASIC's records in relation to the Company.

Set out below is a summary of the information contained in the IPO Prospectus and the Annual Report that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the issue of the Securities pursuant to this Prospectus, they should obtain a copy of the IPO Prospectus and the Annual Report.

The Sections referred to below are a reference to sections in the IPO Prospectus and the Annual Report of the Company (as the case may be).

IPO Prospectus

Section 3 – Company and Project Overview (Page 10)

This section of the IPO Prospectus contains a summary of the Company's history and the acquisitions of projects by the Company up to the date of the IPO Prospectus.

Section 3.2 – Company Strategy (Page 10)

This section of the IPO Prospectus contains a summary of the proposed strategy of the Company to target the northwest of Western Australia for precious and base metals mineralisation.

Section 3.3 – Projects (Page 10)

This section of the IPO Prospectus contains a summary of the three projects of the Company, namely the Gascoyne Gold projects, the Hamersley Basin projects, and Paterson Orogen.

Section 6 – Solicitors Report (Page 84)

This section of the IPO Prospectus contains a solicitors report prepared by Steinepreis Paganin.

Section 7 – Risk Factors (Page 113)

This section of the IPO Prospectus contains a summary of the risk factors that may impact on the performance of the Company including:

- (a) economic risks;

- (b) market conditions;
- (c) security investments;
- (d) exploration and development risks and resources estimates;
- (e) commodity price volatility;
- (f) environmental risks and native title;
- (g) joint venture parties, agents, and contractors;
- (h) future capital requirements; and
- (i) potential acquisitions.

Section 8 – Additional information (Page 115)

This section of the IPO Prospectus contains additional information including:

- (a) rights attaching to shares in the Company;
- (b) terms and conditions of convertible notes;
- (c) directors' options;
- (d) directors' interests in the Company;
- (e) remuneration of directors of the Company;
- (f) corporate governance statement;
- (g) deeds of indemnity, letter agreement with CPA Financial Services Pty Ltd, letter agreement with Superstructure Services,
- (h) fees and benefits to be rendered in connection with the formation or promotion of the Company and the offer of shares in the IPO Prospectus;
- (i) consents of parties in relation to their roles;
- (j) expenses of the offer of shares in the IPO Prospectus;
- (k) litigation;
- (l) ASX restriction on shares;
- (m) electronic receipt of the IPO Prospectus; and
- (n) taxation consequences of acquiring and disposing of shares.

Annual Report

Directors Report (Pages 2 – 10)

This section sets out more current information including information on the current directors, a review of the operations of the Company, the remuneration report and details of legal proceedings.

7. COMPANY OVERVIEW AND EFFECT OF OFFER ON COMPANY

7.1 Overview and Reference to IPO Prospectus

The Company has been included in the Official List of the ASX since 23 November 2005.

A comprehensive overview of the Company is set out in the IPO Prospectus that was lodged with ASIC on 19 September 2005. Persons considering subscribing for Securities under this Prospectus should refer to Section 6 of this Prospectus for a summary of the information contained in the IPO Prospectus deemed to be incorporated in this Prospectus.

Under the ASX Listing Rules, 13,959,638 Shares and 3,900,000 25 cent options expiring 30 June 2008 remain subject to escrow restrictions. The number of Shares and options and periods of escrow are as follows:

- (a) 12,959,638 Shares and 3,900,000 25 cent options expiring 30 June 2008 for 24 months from the date of official quotation of Shares; and
- (b) 1,000,000 Shares for 12 months from the date of issue, being 14 November 2005.

The balance of the issued Shares of the Company being 22,838,368 Shares, are quoted on ASX.

7.2 Update on activities of the Company

In the 10 months since the initial capital raising, and listing on the Australian Stock Exchange, Talisman has remained focussed on developing its gold projects in the Gascoyne region and copper-zinc-gold-silver projects in the Hamersley Basin, Western Australia.

At the flagship **Trillbar Gold Project** the Company has completed four drilling campaigns designed to increase the resource inventory to a mineable proposition. The boundary prospect mineralisation has been considerably increased in both strike and depth extent with drill intercepts, to be included in a revised resource estimate, including 6m @ 5.17 g/t gold, 4m @ 7.73g/t gold, 35m @ 1.57 g/t gold (including 7m @ 4.75 g/t). A recalculation of the Boundary resource is in progress.

Initial drill evaluation of the Winja prospect has returned outstanding results to 24m @ 5.4g/t gold (Including 8m @ 13.9 g/t). This mineralisation remains open in all directions.

Reconnaissance RAB / Aircore drilling at Trillbar has defined a number of new gold anomalies which, together with Boundary, Winja and other previously defined anomalies, offer considerable potential for the definition of a combined gold resource in excess of one million ounces.

Soil geochemistry completed at the **Maitland Gold Project** has defined a number of gold anomalies, up to 1 kilometre strike extent, associated with the gold-mineralised Mudawerrie BIF. Soil geochemistry has also been completed over the Jacia and Maitland South prospects although results are not yet available.

Gridded soil geochemistry, to define drill targets, of the adjacent **Mount James** and **Bustler Well Gold Projects** has commenced.

Reconnaissance prospecting and stream sediment geochemistry completed at the **Wonmunna Copper-Zinc-Gold-Silver Project** has defined widespread, strong copper anomalism in distinct zones associated with the target Jeerinah formation. Follow up soil geochemistry has defined large, strong copper-zinc-gold-silver anomalies at the Bull and Sleepy Hollow prospects. Follow up drill evaluation of these prospects commences in October, 2006.

Stream sediment geochemistry at the **Tom Price Copper-Zinc-Gold-Silver Project** has also defined large areas of strong copper anomalism for follow up by soil geochemistry. Stream sediment geochemistry has also commenced at the large **Anticline Copper-Zinc-Gold-Silver Project**.

The information included in Section 7.2 of this Prospectus that relates to exploration results, mineral resources or ore reserves is based on information compiled by Steven Elliott, who is a member of the Australian Institute of Mining and Metallurgy. Steven Elliott is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Steven Elliott consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

Work is ongoing at all projects with the objective of enhancing the value of the Company through discovery, definition and development. The Company also remains alert for new opportunities that might assist in realisation of these objectives.

7.3 Material Contracts since IPO Prospectus

The Company has also entered into material contracts since the IPO Prospectus which are summarised in Section 10.7 of this Prospectus.

7.4 Effect of the Offers on the Company

The principal effect of the Offers will be to:

- (a) increase cash reserves by approximately \$1,108,197 immediately after completion of the Offer, and the Placement Offer after deducting estimated expenses (of \$106,129) of the Offers, \$40,000 payment to the vendor of the North Trillbar tenement and assuming all Securities offered under this Prospectus are issued;
- (b) increase the number of Shares on issue from 36,798,006 Shares as at the date of this Prospectus, to 44,798,006 Shares, assuming all Shares offered under this Prospectus are issued; and
- (c) increase the number of Options on issue from 3,900,000 Options as at the date of this Prospectus, to 21,532,668 Options, assuming all Options offered under this Prospectus are issued and the full fee is payable to RM Capital under the Mandate including 4.2 million options.

The Offer, and the Placement Offer will have an effect on the Company's financial position. Set out below is:

- (a) an unaudited pro forma income statement of the Company as at 31 August 2006; and

- (b) an unaudited pro forma balance sheet of the Company as at 31 August 2006 incorporating the effect of the Offer and the Placement Offer.

Income statement for the two months ended 31 August 2006

| | 31 Aug 2006 | Pro forma | Pro forma |
|--|--------------------|--------------------|------------------|
| | \$ | Adjustments | Income |
| | | \$ | Statement |
| | | | \$ |
| Revenue | 11,313 | | 11,313 |
| Employee benefits expense | (6,731) | | (6,731) |
| Depreciation and amortisation expense | (3,925) | | (3,925) |
| Consulting expense | (7,289) | | (7,289) |
| Occupancy expense | (7,629) | | (7,629) |
| Other expenses | (26,800) | | (26,800) |
| Loss before income tax expense/benefit | (41,061) | | (41,061) |
| Income tax expense/benefit relating to ordinary activities | - | | - |
| Loss attributable to members | (41,061) | | (41,061) |

Balance sheet as at 31 August 2006

| | 31 Aug 2006 | Proforma | Pro forma |
|--|--------------------|--------------------|--------------------|
| | \$ | Adjustments | 31 Aug 2006 |
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 1,121,227 | 1,108,197 | 2,229,424 |
| Trade and other receivables | 45,994 | | 45,994 |
| Total current assets | 1,167,221 | | 2,275,418 |
| Non-current assets | | | |
| Property, plant and equipment | 51,984 | | 51,984 |
| Exploration and evaluation expenditure | 1,643,738 | 40,000 | 1,683,738 |
| Total non-current assets | 1,695,722 | | 1,735,722 |
| Total assets | 2,862,944 | | 4,011,141 |
| Current liabilities | | | |
| Trade and other payables | 269,575 | | 269,575 |
| Provisions | 9,488 | | 9,488 |
| Total current liabilities | 279,063 | | 279,063 |
| Total liabilities | 279,063 | | 279,063 |
| Net assets | 2,583,881 | | 3,732,078 |
| Equity | | | |
| Issued capital | 3,740,632 | 1,148,197 | 4,888,829 |
| Accumulated losses | (1,156,751) | | (1,156,751) |
| Total equity | 2,583,881 | | 3,732,078 |

8. TERMS AND CONDITIONS OF OPTIONS

8.1 Terms and Conditions of Options

The terms and conditions of the Options to be issued under the Offer are as follows:

- (a) The Options will expire at 5:00pm WST on 31 December 2010 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (b) Each Option gives the Option holder the right to subscribe for one Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
 - (c) The exercise price payable upon exercise of each Option will be A\$0.20 (**Exercise Price**).
 - (d) All or part of the Options may be exercised at any time prior to the Expiry Date, from time to time.
 - (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (i) The Company will apply for quotation of the Options on ASX.
 - (j) The Company will also apply for quotation by ASX of all Shares allotted pursuant to the exercise of Options within 10 Business Days after the date of allotment of those Shares.
 - (k) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Options, the number of Options to which an Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.

- (l) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (m) There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least ten (10) business days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

8.2 Rights attaching to Shares

Full details of the rights attaching to Shares are set out in the IPO Prospectus.

9. RISK FACTORS

The Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business.

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Securities will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Securities.

9.1 Economic Risks

General economic factors such as inflation, currency exchange, industrial disruption and interest rate fluctuations, government policy and regulations, commodity prices and stock market prices may have an adverse impact on the exploration and production activities of the Company, on its ability to fund those activities and on the financial performance of the Company.

9.2 Market Conditions

The trading price of the Shares is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as additions or departures of key personnel, litigation, newspaper and other media reports, actual or anticipated variations in the Company's operating results and results of the Company's mineral and resources activities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

9.3 Security Investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Shares regardless of the Company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and / or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

The Shares allotted under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The Company's principal activities comprise mineral exploration and evaluation which by their nature involve significant risks.

The value of the Company's listed Shares can increase or decrease based on the Company's exploration activities. The future profitability of the Company will

be dependent on the success of exploration on the current and any future exploration assets of the Company, and if possible the successful commercial exploitation of these assets.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

9.4 Exploration and Development Risks

The mining tenements in which the Company has an interest are at the exploration stage only. There can be no assurance that exploration of those tenements, or any other tenement in which the Company may acquire an interest in the future, will result in the discovery of an economic mineral deposit. Even if any apparent viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

Exploration may be hampered by mining, heritage and environmental legislation, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies.

The success of the Company depends on the delineation of economically mineable reserves, access to required development capital, securing and maintaining title to its exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration tenements. Weather conditions over a prolonged period can adversely affect exploration, mining and drilling operations and the timing of earning revenues.

9.5 Reliance on Key Personnel

Within the existing corporate structure, the Company's success is dependent upon the ability of the Directors to manage the existing asset and identify acquisition opportunities for future growth. To manage its growth, the Company must in due course identify, hire, train and retain skilled personnel and senior management.

9.6 Commodity Price Volatility

The price of commodities is influenced by physical and investment demand and supply. Fluctuations in the price of commodities may influence individual projects in which the Company has an interest and the price of the Company's listed Shares.

9.7 Environmental Risks & Native Title

It is possible that there will exist on the Company's tenement areas sacred sites or sites of significance to Aboriginal people subject to the provisions of the Aboriginal Heritage Act. Further the Company's tenements in most instances are subject to claim under the Native Title Act. As a result, land within the mining tenements may be subject to exploration, mining or other restrictions as a result of claims of Aboriginal heritage or native title. This may have a material adverse effect on the Company's business and its financial condition and performance.

Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation.

9.8 Competition

The Company will compete with other companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

9.9 Additional Requirements for Capital

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities and the price of its Shares.

9.10 Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

9.11 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

9.12 Insurance

Insurance against all risks associated with the activities of the Company is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

9.13 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource

projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

9.14 Investment is Speculative

An investment in the Company is speculative. There are inherent risks and uncertainty associated with the Company's current and future investments. Neither the Directors nor the Company warrant the future performance of the Company or any return on an investment in the Company.

10. ADDITIONAL INFORMATION

10.1 Market Prices of Shares

Official Quotation of the Company's Shares commenced on 25 November 2005 and consequently, the trading history on ASX as at the date of this Prospectus is limited to that period.

The highest and lowest recorded market sale prices of the Company's Shares quoted on ASX during the period from commencement of Official Quotation to the date of this Prospectus were 25 cents on 20 April 2006 and 14 cents on 22 September 2006, respectively.

The last market sale price of the Company's Shares on ASX on the last day that trading took place in these Shares prior to the date of this Prospectus was 17 cents on 16 October 2006.

The Company does not currently have any options quoted by ASX.

10.2 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Securities. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Securities in the Company or dealing with an entitlement in this Offer.

10.3 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

10.4 Continuous Disclosure Obligations

This document is issued pursuant to Section 712 of the Corporations Act and does not of itself contain all the information that is generally required to be set out in a document of this type. Rather the Prospectus incorporates by reference information contained in documents that have been lodged with the ASIC, namely the IPO Prospectus.

The Company is a disclosing entity under the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As a listed company, the Company is subject to the Listing Rules that require it to immediately notify ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of its Shares.

Copies of documents lodged in relation to the Company with the ASIC may be obtained from or inspected at any office of the ASIC. This includes the IPO Prospectus referred to in Section 6 of this Prospectus.

The following documents have been lodged with ASX since its listing on ASX:

| Date | Description of Announcement |
|-------------------|--|
| 12 October 2006 | First Quarter Activities Report |
| 21 September 2006 | Full Year Accounts |
| 21 September 2006 | Exploration Update |
| 19 September 2006 | Placement of Shares & Pro Rata Offer of Options |
| 7 September 2006 | Appendix 3B: Restricted Securities |
| 22 August 2006 | Expiry of restriction period for securities |
| 31 July 2006 | Second Quarter Activities & Cashflow Report |
| 26 July 2006 | Exploration Update |
| 28 April 2006 | Third Quarter Activities & Cashflow Report |
| 20 April 2006 | Trillbar Drill Results |
| 4 April 2006 | WSA's ann: New Nickel and Uranium Targets |
| 15 March 2006 | Half Year Accounts |
| 7 March 2006 | Exploration Update |
| 21 February 2006 | MGX' ann: Joint Venture Exploration Results |
| 20 February 2006 | Change of Company Details |
| 30 January 2006 | Second Quarter Activities & Cashflow Report |
| 19 January 2006 | Project Update |
| 21 December 2005 | Drilling Update |
| 30 November 2005 | Results of AGM |
| 28 November 2005 | Becoming a substantial holder |
| 28 November 2005 | Initial Director's Interest Notice x3 |
| 24 November 2005 | Drill Program |
| 24 November 2005 | Constitution |
| 23 November 2005 | ASX Listing application and agreement |
| 23 November 2005 | Pre-Quotation Disclosure |
| 23 November 2005 | Corporate Governance Statement |
| 23 November 2005 | Top 20 Shareholders |
| 23 November 2005 | Terms & Conditions of 2008 Directors Options |
| 23 November 2005 | Restricted Securities |
| 23 November 2005 | Vendor Agreements & Convertible Notes |
| 23 November 2005 | Updated statement of commitments based on funds raised |
| 23 November 2005 | Distribution Schedule |
| 23 November 2005 | Admission to Official List |
| 5 October 2005 | Disclosure Document |

ASX maintains files containing publicly available information for all listed companies on its internet site (<http://www.asx.com.au>). The Company's announcements can be viewed on this site.

10.5 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in securities of the Company as set out in the table below:

| Director | No. of Shares held | No. of Options held | Entitlement to Options under the Offer |
|-----------------|---------------------------|----------------------------|---|
| Ian Macpherson | 1,800,000 | Nil | 600,000 |
| Steven Elliott | 5,000,002 | 3,900,000 | 1,666,667 ¹ |

| | | | |
|--------------------|---------|-----|---------|
| Michael Hannington | 300,000 | Nil | 100,000 |
|--------------------|---------|-----|---------|

1. Assumes that Mr Elliott does not exercise the Options he holds in order to participate.

To the extent that the Directors are Shareholders registered as at the Record Date, they intend to subscribe for their full entitlement of Options pursuant to this Prospectus.

10.6 Remuneration

The remuneration paid or payable to Directors and related parties of the Directors for the financial period ending 30 June 2006 is disclosed in the Annual Report referred to in Section 6.1 of this Prospectus. For the new period from 1 July 2006 to the date of this Prospectus the remuneration paid is set out below:

| Name | Directors' Remuneration per annum \$ |
|--------------------|---|
| Ian Macpherson | 10,000 |
| Steven Elliott | 39,967 |
| Michael Hannington | 6,812 |
| | 56,779 |

For the period 1 July 2006 to the date of this Prospectus a total of \$19,305 has been paid or is payable by the Company to companies associated with the Directors or their associates. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The Company's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$100,000 per annum.

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (c) promoter of the Company,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (d) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Options under this Prospectus; or
- (e) the offer of Options under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the Offer of Options under this Prospectus.

Steinepreis Paganin has acted as the solicitors to the Company in relation to this Prospectus. The Company estimates it will pay Steinepreis Paganin \$10,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of \$34,957 for legal services provided to the Company.

RM Capital Pty Ltd is acting as Lead Manager to the Placement Offer. RM Capital Pty Ltd will be entitled to receive a fee of 5% of the amount raised under the Placement Offer, a total of \$56,000 and 4.2 million Options. During the 24 months preceding lodgement of this Prospectus with the ASIC, RM Capital Pty Ltd has not received fees from the Company.

10.7 Material Contracts

The Directors consider that certain contracts are significant or material to the Company and are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to accept the Offer.

Investors should note that a summary of many of the material contracts involving the Company were included in the IPO Prospectus and are incorporated by reference into this Prospectus pursuant to Section 6 of this Prospectus.

In addition to the summaries of material contracts that are incorporated by reference into this Prospectus, set out below are summaries of contracts to which the Company is a party, which are, or may be, material in terms of the Offer or the operations of the business of the Company or otherwise are, or may be, relevant to a potential investor in the Company.

RM Capital Pty Ltd Mandate Letter

RM Capital were mandated to undertake the placement of a total of 7,000,000 fully paid shares at an issue price of 16 cents each to raise a total of AUD\$1.12million before expenses of the issue.

RM Capital are to receive a management fee of 1% of all monies raised and a lodgement fee of 4% of monies raised by RM Capital pursuant to the Offer.

In addition RM Capital are to receive 3 new options to acquire fully paid shares exercisable at 20 cents each on or before 31 December 2010 for every five(5) placement shares placed, provided that RM Capital raise a minimum of AUD\$600,000 pursuant to the issue.

RM Capital are to reimbursed reasonable expenses incurred.

RM Capital's engagement may be terminated by RM Capital on 14 days notice.

North Trillbar Acquisition Agreement

The Company has entered into an agreement with the Vendor to acquire the North Trillbar Tenement for consideration comprising of 1,000,000 shares and \$40,000 in cash.

The Vendor has agreed to enter into a voluntary restriction agreement in relation to the Shares to be issued to him as part of the consideration for the North Trillbar Tenement. Those Shares will be subject to voluntary escrow until 1 July 2007.

In addition, the Vendor is entitled to receive a net smelter royalty of 1% based on the amount of nickel that had been extracted or one from the North Trillbar Tenement whether in concentrate or otherwise and including stockpiled materials (being nickel or nickel bearing material).

Settlement of the North Trillbar Acquisition Agreement has occurred except for the issue and allotment of 1,000,000 Shares to the Vendor. The Vendor and the Company have agreed that the issue and allotment of the 1,000,000 Shares to the Vendor is conditional upon shareholder approval being obtained at the Company's Annual General Meeting due to be held at the end of November.

Under the North Trillbar Acquisition Agreement it is acknowledged by the Company and the Vendor that title to the North Trillbar Tenement cannot be registered in the Company's name under the Mining Act until the date that is 12 months from the date of grant (being 27 July 2007) without Ministerial consent. The parties have agreed that notwithstanding that registration of the purchaser has not occurred, as and from settlement, to the fullest extent possible, the title in and right to possession of the tenement passes to the Company at settlement.

The North Trillbar Acquisition Agreement contains standard representations and warranties from the Vendor in relation to the status and maintenance of the North Trillbar Tenement.

Heads of Agreement

In April 2006, the Company entered an agreement with Adelaide Prospecting Pty Ltd (**APPL**) to acquire an 80% interest in Mining Lease Application 52/800 and E52/1457 for consideration of \$35,000 cash. Settlement of this acquisition has occurred.

Under the agreement, APPL has a free carried interest in respect of its retained 20% interest until completion of a Bankable Feasibility Study. If a Bankable Feasibility Study is completed, the parties shall advise each other in writing as to whether they wish to continue with their interests in the Tenements or withdraw from the same. If both parties elect to continue then, unless they agree otherwise all further expenditure is to be contributed by the Company as to 80% and by APPL as to 20%.

If APPL elects to not continue, then its 20% interest shall be deemed to have been forfeited and shall convert into a royalty of 1% of the total proceeds of sale of the minerals after deducting chargeable expenditure to the profit and loss account in respect of the mining operations made in accordance with Australian Accounting Standards.

The parties agree that they will negotiate in good faith and execute a detailed joint venture agreement embodying the principles contained in the agreement. As at the date of this Prospectus there is no such joint venture agreement in place. However, the Heads of Agreement remain binding on the parties.

10.8 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Steinepreis Paganin has given its written consent to being named as the solicitors in this Prospectus and to the reference in Section 6 of this Prospectus to the Solicitors Report in Section 6 of the IPO Prospectus in the form and context in which they appear in this Prospectus and have not withdrawn such consent prior to lodgement of this Prospectus with the ASIC.

Steven Elliott has given his written consent, and has not withdrawn such consent, to being named as the Competent Person (as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves") and to the inclusion in this Prospectus of the matters set out in the Section 7.2 of this Prospectus based on his information in the form and context in which it appears.

RM Capital Pty Ltd has given its written consent to be named as the Manager to the Offer in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

10.9 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$106,129 (exclusive of GST) as follows.

| | |
|-------------------------------|------------------|
| ASIC Fees | \$2,010 |
| Printing and Mailing Expenses | \$9,990 |
| ASX Fees | \$13,129 |
| Management Fees – 5% | \$56,000 |
| Legal | \$10,000 |
| Corporate/Accounting | \$15,000 |
| Total | \$106,129 |

11. DIRECTORS' AUTHORISATION

This Prospectus is issued by Talisman Mining Limited and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mr Steven Elliott
Managing Director
For and on behalf of Talisman Mining Limited

12. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Acceptance Form means the entitlement and acceptance form enclosed with this Prospectus.

Applicant means an applicant for Securities pursuant to this Prospectus.

Application Form means the Acceptance Form, Placement Offer Application Form, Shortfall Application Form and North Trillbar Acceptance Form attached to or accompanying this Prospectus.

ASIC means Australian Securities & Investments Commission.

ASX means Australian Stock Exchange Limited.

Board means the board of Directors of the Company as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Closing Date means the closing date of the Offer, being 16 November 2006 (unless extended).

Company and **Talisman** means Talisman Mining Limited (ABN 71 079 536 495).

Constitution or **Company's Constitution** means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company at the date of this Prospectus.

First Tranche means 3,500,000 Shares offered under the Placement Offer in accordance with the terms described in Section 5.7.

Foreign Shareholder means a Shareholder whose registered address is (as recorded in the Company's register of members) is in a foreign jurisdiction outside of Australia or New Zealand.

IPO Prospectus means the prospectus issued by the Company dated 19 September 2005.

Listing Rules means the official Listing Rules of the ASX.

North Trillbar Acceptance Form means the acceptance form titled "North Trillbar Acceptance Form" attached to or accompanying this Prospectus.

North Trillbar Acquisition Agreement means the agreement for the sale and purchase of the North Trillbar Tenement between the Company and the Vendor.

North Trillbar Offer means the offer of 1,000,000 Shares to the Vendor in consideration for the acquisition of the North Trillbar Tenement, under this Prospectus and described in Section 13 of this Prospectus.

North Trillbar Tenement means exploration licence 52/1675, (and any other mining tenement or tenements which may be granted in lieu of or relate to the same ground as the tenement specified and includes all rights to mine and other privileges appurtenant to the tenement.

Offer means the non renounceable entitlement issue of Options pursuant to this Prospectus as outlined in Section 5.

Offer Period means the period in respect of the Offer commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opening Date means the date on which the Offer opens.

Option means an option to subscribe for one Share in the Company, issued on the terms and conditions set out in Section 8.1 of this Prospectus.

Placement Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 5.

Placement Offer Application Form means the application form titled "Placement Offer Application Form" attached to or accompanying this Prospectus.

Placement Offer Closing Date means in respect of the first tranche of 3,500,000 shares, a date of 23 October 2006 and in respect of the second tranche of 3,500,000 shares subject to shareholder approval, a date of 1 December 2006.

Placement Share means a Share offered under the Placement Offer.

Prospectus means this Prospectus.

Record Date means the record date for determining entitlements to Options offered under this Prospectus, which is 5.00pm WST on 27 October 2006.

Second Tranche means the balance of 3,500,000 Shares offered under the Placement Offer and subject to obtaining Shareholder approval as described in Section 5.7 of this Prospectus.

Securities means Shares and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Shortfall Application Form means the application form for Shortfall Options that is attached to and accompanies this Prospectus.

Shortfall Options means any Options offered pursuant to this Prospectus for which valid applications have not been received by the Closing Date.

Vendor means Frank Richardson, the vendor of the North Trillbar Tenement.

WST means Western Standard Time, Perth, Western Australia.

13. OFFER TO VENDOR OF NORTH TRILLBAR AGREEMENT

By this Prospectus the Company makes an offer to the Vendor (or nominee) of 1,000,000 Shares as part consideration for the acquisition of the North Trillbar Tenement, in accordance with the terms of the North Trillbar Acquisition Agreement. Full details of the North Trillbar Acquisition Agreement are set out in Section 10.7 of this Prospectus.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The allotment of Shares to the Vendor will take place provided that shareholder approval is obtained by the Company, at the Company's Annual General Meeting due to be held at the end of November and provided that the Vendor has given the Company a duly completed North Trillbar Acceptance Form by no later than 30 November 2006 (unless extended by the Company).

Only the Vendor may accept the North Trillbar Offer. Accordingly do not complete the North Trillbar Acceptance Form unless you are the Vendor.

Accompanying the Prospectus dated 18 October 2006

PO Box 1834
OSBORNE PARK WA 6916

Advanced Share Registry
PO Box 1156
NEDLANDS WA 6909

Facsimile: (08) 9389 7871

No of Shares
held as at 5.00
pm WST on
27 October 2006

Amount payable
on acceptance
@ 1 cent per
Option

(1) I/We the above named being registered on 27 October 2006 (at 5.00pm WST) as the holders of Shares, Shareholder(s) in the Company hereby accept the undermentioned Options under the Prospectus accompanying this form.

No. of Options accepted @ 1 cent per Option

[illegible]

BSB Number Drawer Account No.

Amount of cheque

\$ _____ - _____

- (2) I/We enclose my/our cheque for an amount shown being payment at the rate of 1 cent per Option applied for.
- (3) I/We hereby authorise you to place my/our name(s) on the register of Option Holders in respect of the number of Options allotted to me/us.
- (4) I/We agree to be bound by the Constitution of the Company.
- (5) My/Our contact numbers in case of enquiries are:

Facsimile

Areq Code

1

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | | | | |
|--|--|--|--|--|--|--|

1

Please complete ONLY if your ISSUER SPONSORED address is INCORRECT.

NEW ADDRESS: (CHESS HOLDERS CAN ONLY AMEND THEIR ADDRESS BY ADVISING THEIR SPONSORING BROKER)

Block Letters Please

Telephone:

Your Signature:

Note: Return of this document with the required remittance will constitute your acceptance of the Options being offered. Please read lodgement instructions overleaf. This acceptance form with payment in full must be lodged with Advanced Share Registry no later than 5.00pm WST on 16 November 2006.

**LODGEMENT INSTRUCTIONS TO SHAREHOLDERS IN
TALISMAN MINING LIMITED**

**NON RENOUNCEABLE ENTITLEMENTS ISSUE
CLOSING 5PM WST ON 16 NOVEMBER 2006**

1. Acceptance in Full or in Part:

If you are accepting your entitlement to Options in full or in part please:-

- (a) Complete the form overleaf. If the form is not completed properly you will be treated as having applied for the number of Options covered by your remittance.
- (b) Forward it together with your remittance for application money at 1 cent per Option subscribed for so as to reach the Company at:

By Post: Advanced Share Registry, PO Box 1156, Nedlands WA 6909.

or

By Hand: Advanced Share Registry, 110 Stirling Highway, Nedlands WA 6009

by 5.00pm WST on 16 November 2006.

A return addressed envelope is provided.

2. General Instructions

By Cheque: cheques and/or bank drafts in Australian currency and drawn or payable on a bank within Australia should be sent, made payable to "TALISMAN MINING LIMITED – ENTITLEMENT ISSUE" and crossed 'Not Negotiable'.

By Electronic Transfer: you can transfer your application money directly to the Company bank account. Please insert your shareholder name as a reference.

Account name: Talisman Mining Limited,

BSB: 036 011

Account number: 292 904

Receipt for payment will not be forwarded.

Personal cheques drawn on overseas banks in Australia or foreign currency will not be accepted. These will be returned and the application deemed invalid.

3. Enquiries

Any enquiries about your entitlement should be directed to Advanced Share Registry by telephone on (08) 9389 8033, or facsimile on (08) 9389,7871.

TALISMAN MINING LIMITED

ABN 71 079 536 495

SHORTFALL APPLICATION FORM (FOR SHORTFALL OPTIONS ONLY)

Shareholders wishing to accept their entitlement to Options under the Offer cannot use this Shortfall Application Form. They must use the personalised Entitlement and Acceptance Form which accompanied their copy of the Prospectus.

This application will only be considered after the Closing Date of 16 November 2006. Applicants should read the Prospectus dated 18 October 2006 in its entirety before deciding to apply for Shortfall Options. The Prospectus will expire on the date that is 13 months from the date of this Prospectus. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary documents and the Shortfall Application Form, free of charge to any person upon request. A person who gives another person access to the Shortfall Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document. The Corporations Act prohibits any person from passing onto another person an application form unless it is attached to a heard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus.

To: The Directors
Talisman Mining Limited

I / We apply for _____ Options (number of options applied for) and pay in full application moneys at 1 cent per Option by, lodgement herewith of \$_____ (amount of your cheque).

Complete Full Name:

(Applicant)

(Mr / Mrs / Miss / Ms or Company Name) (given names) (surname)

(Joint Applicant)

(Mr / Mrs / Miss / Ms or Company Name) (given names) (surname)

Address Details:

(number and street)

(suburb or city)

(state)

(postcode)

Telephone Details:

STD () (Home)

STD () (Business)

(contact name)

Cheque Details:

(Drawer)

(Bank)

(Branch)

Broker Sponsored Applicants Only:

SBN / IPN

_____ HIN

This Shortfall Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application monies, the applicant hereby:

1. applies for the number of Options specified in the Shortfall Application Form or such lesser number as may be allocated by the Directors;
2. agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company; and
3. authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions.

SHORTFALL APPLICATION FORM AND INSTRUCTIONS TO APPLICANTS

Please complete all relevant sections of the Shortfall Application Form using BLOCK LETTERS. If you have questions on how to complete this Shortfall Application Form please telephone Advanced Share Registry on (08) 9389 8033, or contact your professional adviser.

Please post or deliver the completed Shortfall Application Form together with your cheque to the address listed below:

By Post: Advanced Share Registry, PO Box 1156, Nedlands WA 6909.

or

By Hand: Advanced Share Registry, 110 Stirling Highway, Nedlands WA 6009.

Please write your name in full. This must be either your own name or the name of a company. You should refer to the examples noted for the correct forms of name which can be registered. Applications using the incorrect form of name may be rejected. If your Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque for the application monies referred to.

Your address should be your preferred postal address for all correspondence. All communications to you from the Company's Registry (shareholding statements, annual / interim reports, correspondence, etc) will be mailed to the person(s) and address as shown.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Options. The application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Talisman Mining Limited. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under 18 years of age. Examples of the correct form of registrable title are set out below:-

| Type of Investor | Correct Form of Registrable Title | Incorrect Form of Registrable Title |
|-----------------------------|--|-------------------------------------|
| Trusts | Mr John David Smith | John Smith Family Trust |
| Deceased Estates | Mr Michael Peter Smith | John Smith (Deceased) |
| Partnerships | Mr John David Smith & Mr Ian Lee Smith | John Smith & Son |
| Clubs/Unincorporated Bodies | Mr John David Smith | Smith Investment Club |
| Superannuation Funds | John Smith Pty Ltd | John Smith Superannuation Fund |

ABN 71 079 536 495

Number of Shares applied for

At \$0.16 per Share
=

A\$

THIS FORM DOES NOT REQUIRE A SIGNATURE

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Placement Offer Application Form together with a cheque to RM Capital Pty Ltd. If you have any questions on how to complete this Placement Offer Application Form, please contact RM Capital Pty Ltd by telephone on (08) 9321 3277 or facsimile on (08) 9321 8399. The Placement Offer Application Form must be received by RM Capital Pty Ltd no later than the Placement Offer Closing Date.

A. Application for Shares

The Placement Offer Application Form must only be completed in accordance with instructions included in the Prospectus.

B. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact you if there is an irregularity regarding the Placement Offer Application Form.

C. Cheque Details

Make cheques payable to “**Talisman Mining Limited – Placement Offer**” in Australian currency and cross them “**Not Negotiable**”. Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Placement Offer Application Form.

Declaration

Before completing the Placement Offer Application Form you declare that you have read the Prospectus to which the application relates. You agree that this application is for Shares in Talisman Mining Limited upon and subject to the terms of the Prospectus. You agree to take any number of Shares equal to or less than the number of Shares indicated on the front of the form that may be allotted to you pursuant to the Prospectus and declare that all details and statements made are complete and accurate. It is not necessary to sign the Placement Offer Application Form.

If a Placement Offer Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Placement Offer Application Form, and how to construe, amend or complete it, shall be final. A Placement Offer Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Forward your completed Placement Offer Application Form together with the cheque to:

By Post: RM Capital Pty Ltd, 1175 Hay Street, WEST PERTH WA 6005.

or

By Hand: RM Capital Pty Ltd, 1175 Hay Street, WEST PERTH WA 6005.

Talisman Mining Limited ABN 71 079 536 495
North Trillbar Acceptance Form

**DO NOT COMPLETE THIS FORM UNLESS
REQUESTED BY THE COMPANY**

Please read all instructions on reverse of this form

Number of Shares applied for

1,000,000

At \$Nil =

Total amount payable
cheque(s) to equal this
amount

A\$ Nil

Full name, details, title, given name(s) (no initials) and surname or
Company name

Name of Applicant 1

[illegible]

Name of joint Applicant 2 or <account name>

[illegible]

Full postal address

Number/street

[illegible][illegible]

Suburb/town

[illegible]

State/postcode

CHES HIN (if applicable)[illegible]**PID Number** (if applicable)[illegible]

You should read the Prospectus carefully before completing this North Trillbar Acceptance Form. The Corporations Act prohibits any person from passing on this North Trillbar Acceptance Form unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus.

I/We declare that:

- (a) this North Trillbar Acceptance Form is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of Talisman Mining Limited; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the North Trillbar Acceptance Form or a copy of the North Trillbar Acceptance Form or a direct derivative of the North Trillbar Acceptance Form, before applying for Shares.

THIS FORM DOES NOT REQUIRE A SIGNATURE

Share Registrars use only

INSTRUCTIONS TO VENDOR

Please deliver the completed North Trillbar Acceptance Form to Talisman Mining Limited (**Company**). If you have any questions on how to complete this North Trillbar Acceptance Form, please contact the Company by telephone on (08) 9445 8282 or facsimile on (08) 9445 9575. The North Trillbar Acceptance Form must be received by the Company no later than 30 November 2006.

A. Application for Shares

The North Trillbar Acceptance Form must only be completed in accordance with instructions included in the Prospectus.

B. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact you if there is an irregularity regarding the North Trillbar Acceptance Form.

C. Cheque Details

Not applicable.

Declaration

Before completing the North Trillbar Acceptance Form you declare that you have read the Prospectus to which the application relates. You agree that this application is for Shares in Talisman Mining Limited upon and subject to the terms of the Prospectus. You agree to take any number of Shares equal to or less than the number of Shares indicated on the front of the form that may be allotted to you pursuant to the Prospectus and declare that all details and statements made are complete and accurate. It is not necessary to sign the North Trillbar Acceptance Form.

If the North Trillbar Acceptance Form is not completed correctly it may still be accepted. Any decision of the Directors as to whether to accept the North Trillbar Acceptance Form, and how to construe, amend or complete it, shall be final. A North Trillbar Acceptance Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque.

Please deliver your completed North Trillbar Acceptance Form to the Company at Suite 12, Building B, 5 Hasler Road, Osborne Park, Western Australia.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

TALISMAN MINING LTD

ABN

71 079 536 495

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | 20c Listed options exp. 31/12/2010 |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 17,632,668 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Quoted options, exerciseable at 20c, expiring 31 December 2010 |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

| 4 | <p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">the date from which they dothe extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest paymentthe extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>No</p> <ul style="list-style-type: none">on exercise of option on or before 31/12/2010do not participate in dividendsno entitlement to vote in general meeting | | | | | | |
|------------|--|---|--------|--------|------------|-----------------|------------|---------------------------|
| 5 | Issue price or consideration | <p>13,432,668 options for 1c each (pro rata)</p> <p>4,200,000 options nil consideration (fee)</p> | | | | | | |
| 6 | Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets) | <p>To raise funds to progress exploration projects and directors remuneration</p> | | | | | | |
| 7 | Dates of entering +securities into uncertificated holdings or despatch of certificates | <p>23 November 2006</p> | | | | | | |
| 8 | Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable) | <table><tr><th>Number</th><th>+Class</th></tr><tr><td>22,838,368</td><td>Ordinary shares</td></tr><tr><td>17,632,668</td><td>20c Options exp. 31/12/10</td></tr></table> | Number | +Class | 22,838,368 | Ordinary shares | 17,632,668 | 20c Options exp. 31/12/10 |
| Number | +Class | | | | | | | |
| 22,838,368 | Ordinary shares | | | | | | | |
| 17,632,668 | 20c Options exp. 31/12/10 | | | | | | | |

+ See chapter 19 for defined terms.

| | | | |
|----|---|---------------------|--------------------------|
| 9 | Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable) | Number | +Class |
| | | 13,959,638 | Ordinary shares |
| | | 3,900,000 | 25c options exp. 30/6/08 |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | No policy currently | |

Part 2 - Bonus issue or pro rata issue

| | | |
|----|---|----------------------------|
| 11 | Is security holder approval required? | No |
| 12 | Is the issue renounceable or non-renounceable? | Non renounceable |
| 13 | Ratio in which the +securities will be offered | 1 option for 3 shares held |
| 14 | +Class of +securities to which the offer relates | Ordinary shares |
| 15 | +Record date to determine entitlements | 27 October 2006 |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | No |
| 17 | Policy for deciding entitlements in relation to fractions | Rounding down |
| 18 | Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small> | Vanuatu and UK. |
| 19 | Closing date for receipt of acceptances or renunciations | 16 November 2006 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

| | | |
|----|---|-----------------|
| 20 | Names of any underwriters | N/a |
| 21 | Amount of any underwriting fee or commission | N/a |
| 22 | Names of any brokers to the issue | N/a |
| 23 | Fee or commission payable to the broker to the issue | N/a |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders | N/a |
| 25 | If the issue is contingent on *security holders' approval, the date of the meeting | N/a |
| 26 | Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled | 1 November 2006 |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | N/a |
| 28 | Date rights trading will begin (if applicable) | N/a |
| 29 | Date rights trading will end (if applicable) | N/a |
| 30 | How do *security holders sell their entitlements <i>in full</i> through a broker? | N/a |
| 31 | How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/a |

+ See chapter 19 for defined terms.

- | | | |
|----|---|------------------|
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)? | N/a |
| 33 | +Despatch date | 23 November 2006 |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) ☒ Securities described in Part 1
- (b) ☐ All other securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

| 38 | Number of securities for which +quotation is sought | | | | | |
|--------|---|--|--------|--------|--|--|
| 39 | Class of +securities for which quotation is sought | | | | | |
| 40 | Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | | | | | |
| 41 | Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security) | | | | | |
| 42 | Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38) | <table border="1"><thead><tr><th>Number</th><th>+Class</th></tr></thead><tbody><tr><td></td><td></td></tr></tbody></table> | Number | +Class | | |
| Number | +Class | | | | | |
| | | | | | | |

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here: Date: ..18 October 2006..
Company secretary

Print name: .Lloyd Flint.....

== == == == ==

+ See chapter 19 for defined terms.