



## TALISMAN MINING LTD

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20 October 2006

Dear Shareholder

### NON-RENOUNCEABLE ENTITLEMENTS ISSUE

On 18 October 2006, Talisman Mining Limited (**Company**) lodged a prospectus (**Prospectus**) with the Australian Stock Exchange Limited (**ASX**) and the Australian Securities & Investments Commission (**ASIC**) for a pro-rata non-renounceable Entitlements Issue of approximately 13,432,668 options to acquire ordinary shares in the Company (**Options**), on the basis of one (1) Option for every three (3) shares held on 27 October 2006 (**Record Date**), to be issued at 1 cent each (**Entitlements Issue**).

The expiry date of the Options is 31 December 2010 (**Expiry Date**). The exercise price of each Option is \$0.20. Shareholder approval is not required in relation to the Entitlements Issue. The Company will apply for official quotation by ASX of the Options to be issued pursuant to the Entitlements Issue.

It is intended that the proceeds from the Entitlements Issue (together with funds raised from a placement of up to 7,000,000 ordinary shares at an issue price of 16 cents per share (**Placement Offer**)) will be used for funding the Company's exploration programmes on its Trillbar, Maitland, Wonmunna, Mt James/Bustlers Well and Anticline/Tom Price projects and the expenses of the offers.

The timetable and important dates of the Entitlements Issue are:

| 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  | 23 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 |

**Note:** These dates are determined based upon the current expectations of the Directors and may, subject to the Listing Rules, be changed without notice. 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.

The Prospectus is available on the ASX website at [www.asx.com.au](http://www.asx.com.au).

There is no underwriter or manager to the Entitlements Issue.

The quoted securities on issue in the Company following completion of the Entitlements Issue, assuming no existing options are exercised prior to the Record Date, are as follows:.

| Number        | Class   |
|---------------|---|
| 30,838,368(1) | Fully paid ordinary shares                                  |
| 17,632,668(2) | Options exercisable at \$0.20 on or before 31 December 2010 |

Note:

- (1) This assumes that 1,000,000 shares are issued to the vendor of Exploration Licence 52/1675 and 7,000,000 shares are issued pursuant to the Placement Offer.
- (2) This assumes that Options are issued to the Lead Manager of the Placement Offer on the basis of 3 Options for every 5 Shares placed under the Placement Offer.

The unquoted securities on issue in the Company following completion of the Entitlements Issue are as follows:

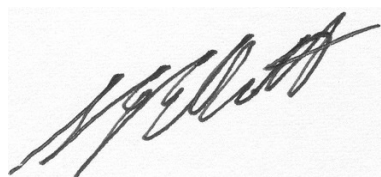
| Number     | Class   |
|------------|---|
| 13,959,638 | Fully paid ordinary shares                                |
| 3,900,000  | Options exercisable at 25 cents on or before 30 June 2008 |

In calculating entitlements under the Entitlements Issue fractions will be rounded up to the nearest whole Share.

The offer to participate in the Entitlements Issue under the Prospectus is to shareholders with registered addresses in Australia and New Zealand. Overseas shareholders should contact the Company Secretary with any queries regarding the Entitlements Issue.

I encourage Shareholders to carefully read the Prospectus when you receive it in the post and consider investing in the Entitlements Issue.

Yours faithfully



**S. J. Elliott**  
Managing Director