



TALISMAN MINING LTD

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15 October 2007

Mr G Coulson
Advisor - Issuers
Australian Securities Exchange
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sir

TALISMAN MINING LIMITED

We refer to your letter of 12 October 2007.

In response to your queries and using your numbering, we confirm the following:

Question 1

The Company considers that the information contained in the presentation is based on and restricted to the information that is set out in the most recent announcements given by the Company, other than the information in the page "Wonmunna Iron Ore Potential" (refer to our comments below).

In particular, you are referred to the first announcement which was made by the Company in respect of the Wonmunna Project dated 14 August 2007 (approximately 3 months ago) which specifically listed the iron ore intercepts from the two (2) drilling campaigns. These are the drill intercepts which are set out in the presentation. In particular, in that announcement, the following statement is made:

"Pursuant to clause 18 of the JORC Code (2004) it must be noted that the estimated area and grade of mineralised Marra Mamba Formation as outlined by the Poondano Exploration Pty Ltd RC drilling, is conceptual in nature, and that there has been insufficient exploration to date to define a Mineral Resource, and that further exploration will be required to make any future determination of a Mineral Resource."

The information set out in that announcement was noted as being compiled by Mr Steven Elliott who qualifies as a competent person under the JORC Code (2004).

Subsequent to that announcement, the relevant intercepts were included in the Annual Report for the Company lodged with ASX on 28 September 2007 and, then, on 8 October 2007, the Company announced that first pass drill evaluation of the iron ore potential of the project had been completed and that preliminary assay results were expected by early November 2007.

In the announcement on 8 October 2007, it was noted that resource drilling, the scope of which will depend upon the results of the initial program and ongoing drilling, were scheduled to commence in the later half of November 2007 and continuing through 2008. This is also noted in the presentation and is consistent with the initial announcement.

Question 2

The Company did not consider the information contained under the heading "Wonmunna Iron Ore Potential", in the context it was made, to be material.

This page did not contain a resource or reserve statement and could not be construed as such. The Company believes that there could be no confusion on this point. The words "potential" and "target" were clearly used, and these are merely an indication of what the Company seeks to define in the future from its exploration work when the resource drilling, as announced, is completed.

Accordingly, because the targets were not in the nature of resource or reserve estimates, the fact that a target amount was set out on the page and the context in which it was made is not of itself material.

Question 3

The information on the potential of the project and the target is an internal decision and it is not a matter of which the Company "becomes aware". For this reason, there is no answer to this question other than to say that the targets were first included in the relevant presentation.

Question 4

As with the response to question 3, there is no answer to this question other than to say that the targets were first included in the relevant presentation.

Question 5

The Company has noted above that it did not consider the information on the targets to be material in the context in which they were made.

Question 6

The targets in the presentation are not in the nature of resource statements and are clearly delineated by the words "potential" and "target".

The wording in paragraph 18 of the JORC Code makes it clear that it is common practice for a company to comment on and discuss its exploration in terms of target size and type.

However, the paragraph further notes that if these statements are set out in a report that is in the nature of a public report, it needs to ensure that it cannot be misconstrued as referring to resources or reserves, that the statement must be expressed as a range, that it must have an explanation of the basis for the statement and an appropriately worded qualification.

To the extent the report is considered to be a public report (which is a grey area and not necessarily the case here) then it could not be misconstrued as referring to resources or reserves, and a range was included. However, and so as to clarify the statements, the Company wishes to set out the basis for the statements and the relevant qualification which are set out in the response to question 7.

Question 7

The "potential" and "target" figures were arrived at by the following:

Channel Iron Deposits (CID): The current level of knowledge based on mapping and limited drilling (completed by a previous joint venture partner, who has now withdrawn) indicates a total potential strike length of CID of in excess of 15km, average width in excess of 300m and average depth in excess of 10m.

Using simple volumetric calculations it can be seen that the total potential resource occupies a volume of $15,000 \times 300 \times 10 = 45,000,000\text{m}^3$. Using a conservative specific gravity of 2.5gcm^3 , the resultant potential tonnage is $45,000,000 \times 2.5 = \mathbf{112.5Mt}$.

The limited previous drilling had indicated grades up to 58% Fe (previously released) and this together with the apparently similar CID ores mined at Yandicoogina approximately 35 – 40km to the north, with an average grade >55% Fe, indicates that the potential target grade of **+55% Fe** is reasonable.

On the basis of the above estimates the Company believes the stated potential and target to be fair and reasonable.

Marra Mamba: The current level of knowledge based on mapping, aeromagnetic data and limited drilling (completed by a previous joint venture partner, who has now withdrawn) indicates a total potential strike length of Marra Mamba Iron Formation of in excess of 8km, average width in excess of 500m and average depth in excess of 20m.

Using simple volumetric calculations it can be seen that the total potential resource occupies a volume of $8,000 \times 500 \times 20 = 80,000,000\text{m}^3$. Using a conservative specific gravity of 4.0gcm^3 , the resultant potential tonnage is $80,000,000 \times 4.0 = 320\text{Mt}$.

Whilst it is possible that the Marra Mamba may be mineralised along the entire strike it is considered unlikely, and consistent with the Company policy of conservatism, a figure of 50% of the possible (ie **160Mt**) has been adopted.

The limited previous drilling had indicated grades up to 60.8% Fe (previously released) and this together with the apparently similar Marra Mamba ores mined at the adjacent Area C, West Angelas and Hope Downs, with an average grade of >60% Fe, indicates that the potential target grade of **+60% Fe** is reasonable.

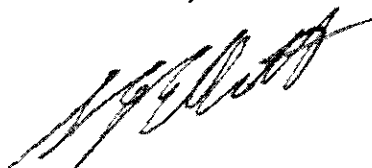
On the basis of the above estimates the Company believes the stated potential and target to be fair and reasonable.

The stated potentials and targets are of course conceptual, based on available data, and there is insufficient data to calculate a JORC-compliant resource and it remains uncertain if continued exploration will define a resource.

Question 8

The Company confirms that in its opinion it is presently in compliance with Listing Rule 3.1.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. J. Elliott', written in a cursive style.

S. J. Elliott
Managing Director

Information in this letter that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Steven Elliott who is a member of the Australasian Institute of Mining and Metallurgy. Mr Steven Elliott is a full time employee of Talisman Mining Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Steven Elliott consents to the inclusion in this letter of the matters based on information in the form and context in which it appears.



12 October 2007

Mr Darren Crawte
Company Secretary
Talisman Mining Limited
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Dear Mr Crawte

Talisman Mining Limited (the "Company")

We refer to the Company's response to the ASX Price Query dated 11 October 2007 (the "Response").

We also refer to the Company's announcement dated 11 October, titled 'Wonmunna Iron Ore Presentation' (the "Announcement").

The ASX has noted an increase in the price of the Company's securities from \$0.455 on 10 October 2007 to a high of \$0.74 today. There was also a significant increase in the volume of trading over this period.

We wish to draw your attention to the definition of "aware" in Chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Furthermore, paragraph 17 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

"3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

3.1A.3 *One or more of the following applies.*

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret."*

Finally, I would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'..." and "Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the above definition, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in relation to the Announcement in a format suitable for release to the market in accordance with listing rule 18.7A.

1. ASX requests that the Company confirm that all the information contained within the Announcement has previously been released to the market.
2. If the answer to question 1 is "no" does the Company believe that the information contained in the Announcement was material to the Company?
2. If the answer to question 2 is "no", please advise the basis on which the Company does not consider the Announcement to be material.
3. If the answer to question 1 is "no", when did the Company first become aware of the information contained in the Announcement?
4. If this was before the Announcement, please identify any earlier Announcement from the Company relating to the potential for the Wonmunna iron ore potential.
5. If there was no earlier announcement, and the Company was aware of the targets in the Announcement prior to its release to the market, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exception to the rule in listing rule 3.1A. The requirements of the exception in listing rule 3.1A (as set out above) include that the information must be confidential, and that at least one of the five matters set out in listing rule 3.1A.3 is satisfied.
6. Please confirm the targets in the Announcement are in compliance with ASX listing rule 5.6.
7. If the answer to question 6 is "yes", please provide the following.
 - 7.1. A competent person certificate for the above targets.

7.2. A detailed explanation for the basis for the targets.

7.3. A statement that the potential quality and grades are conceptual in nature, that there has been insufficient exploration to define the mineral resource and that it is uncertain if further exploration will result in the determination of a mineral resource.

8. Please confirm that the Company is in compliance with listing rule 3.1.

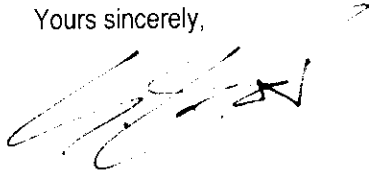
Your response should be sent to me by e-mail at greg.coulson@asx.com.au or by facsimile on **facsimile number (08) 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5.00 pm WST today**.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Greg Coulson
Adviser - Issuers

Direct Line: (08) 9224 0035