

20 January 2009

The Manager  
Company Announcements Office  
Australian Securities Exchange

By Electronic Lodgment

## REPORT FOR QUARTER ENDED 31 DECEMBER, 2008

### HIGHLIGHTS

#### Corporate

- Experienced Australian mining executive Gary Lethridge (a former senior executive with Jubilee Mines NL) appointed as Managing Director, effective 2 February 2009.

#### Projects

- Scoping Study commenced on Wonmunna Project to define mine development scenarios for the currently defined iron ore resources (**44Mt @ 55.9% Fe** including **28Mt @ 57.4% Fe**).
- Resource calculations underway for the Central Marra Mamba (CMM) and South Marra Mamba (SMM) mineralisation at Wonmunna, to define additional JORC iron ore resources. Updated resource inventory expected to be announced shortly.
- Metallurgical testing and ore characterisation studies completed for North Marra Mamba (NMM), with results indicating that it will produce a saleable DSO product in both the lump and fines fractions.
- Metallurgical testing and ore characterisation study underway for CMM and SMM mineralisation, with initial results from both areas indicating that the ore is potentially amenable to free-dig mining, with high lump: fines ratios in excess of 60: 40.
- Drilling at the VHF Prospect at Trillbar intersects gold mineralisation of up to **8m @ 1.07g/t Au** and **3m @ 2.56g/t Au**.

## OVERVIEW

Following an intensive search, Talisman Mining (ASX: TLM) announced the appointment of experienced Australian mining executive, Gary Lethridge, as the Company's Managing Director on 23 December 2008. The appointment, which is effective from 2 February 2009, follows the sudden resignation of the previous Managing Director, Mr Steve Elliott. Mr Alan Senior, who has been acting in the role of Executive Chairman, will return to the role of non-executive Chairman after this date.

Mr Lethridge brings extensive strategic, commercial, corporate and financial expertise to Talisman at a pivotal time in the Company's development and the current global economic climate.

He previously held the position of Executive General Manager-Corporate / Chief Financial Officer at the highly successful Australian nickel producer, Jubilee Mines NL, where he was part of the senior executive management team from 2003 until that Company's acquisition by Xstrata Nickel in early 2008.

Mr Lethridge will lead Talisman's management team in progressing its portfolio of iron ore, manganese, gold and base metal projects in the Pilbara, Gascoyne and Kimberley regions of Western Australia (see *project location map*).

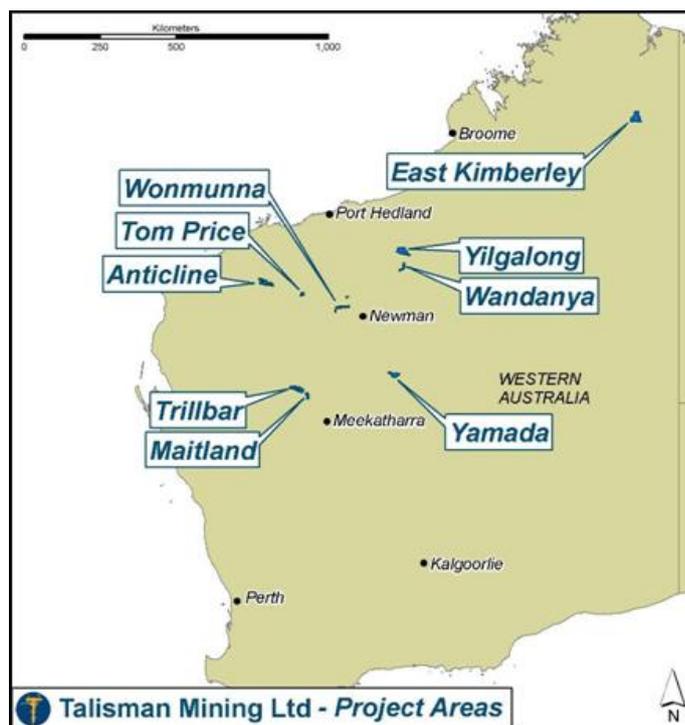
Key activities undertaken during the December 2008 Quarter included resource definition drilling at the Central Marra Mamba (CMM) and South Marra Mamba (SMM) prospects at the Wonmunna Project.

A resource estimate for these areas is currently being completed and is scheduled to be announced early in the first quarter of 2009. This is expected to increase the current resource inventory for the North Marra Mamba (NMM) Prospect (44Mt @ 55.9% using a 50% Fe lower cut-off).

The Company commenced a Scoping Study on the Wonmunna Project during the Quarter to define optimum development strategies. This Scoping Study will encompass all three currently defined resource areas – NMM, CMM and SMM.

In addition, the Company progressed preliminary exploration activities at the Wandanya Manganese/iron Project, located in close proximity to the Woodie Woodie Manganese Mining Centre in the East Pilbara region.

In the Gascoyne region, the Company completed the previously deferred drilling program targeting both iron and gold mineralisation. Significant gold intercepts were returned from the VHF Prospect which warrant follow-up exploration.



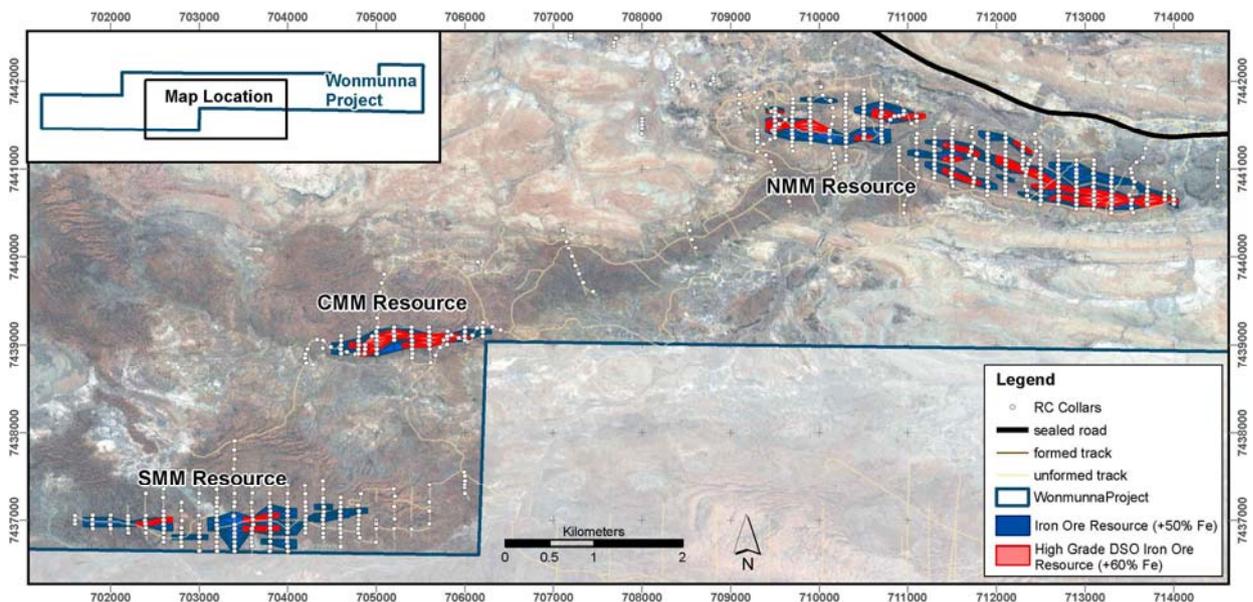
## WONMUNNA IRON ORE PROJECT (100% Talisman)

The Wonmunna Iron Project is strategically located in the heartland of the East Pilbara iron ore mining industry, with three major operating iron ore mines (West Angelas, Area C and Hope Downs) located within 20km of the lease boundary. The Wonmunna Project comprises five iron prospects, three of which (North Marra Mamba, Central Marra Mamba and South Marra Mamba) are prospective for Marra Mamba iron mineralisation and two of which (CCID and ECID) contain Channel Iron Deposit (CID) mineralisation. To date, JORC resources totalling 44Mt @ 55.9% (50% Fe lower cut-off) including 28Mt @ 57.4% Fe (55% Fe lower cut-off) have been estimated for the NMM Prospect.

During the Quarter, AMC Consultants Pty Ltd commenced a Scoping Study on the iron ore mineralisation within the Wonmunna Project. This study is due to be completed within the March 2009 Quarter. The Study will define various mine development scenarios including provision of projected capital and operating costs.

All of the currently defined iron ore resources at the Wonmunna Project – including the NMM, CMM and SMM deposits (see **Figure 1** below) – will be included in the study. The completion of this study will allow Talisman to select a preferred development option and, after taking into account the current global economic conditions, determine a course of action for Wonmunna.

In addition, three Mining Lease Applications were made covering the NMM, CMM and SMM mineralisation and likely infrastructure footprints. Proposals have been received from groups to carry out environmental baseline monitoring (flora and fauna surveys) and Mine Permit/Approvals processes.



**Figure 1: Location of Wonmunna Iron Ore Resources.**

### North Marra Mamba (NMM) Prospect

Metallurgical testwork and ore characterisation studies were completed during the Quarter for the NMM iron ore deposit by Mets Pty Ltd. The metallurgical testwork showed that the high grade (+60% Fe), direct shipping ore (DSO) component of the NMM Resource produces a saleable grade DSO product in both the lump and fines fractions.

Results also indicate that the deposit generally comprises 'soft' ore which is potentially amenable to continuous free-digging mining, with high lump: fines ratios in excess of 60:40.

Using data from the RC and diamond drilling programs recently completed at NMM, Quantitative Group Pty Ltd (QG) has commenced resource modelling to determine the JORC high-grade (+60% Fe) component of the existing NMM Resource (current resource of 44Mt @ 55.9% using a 50% Fe lower cut-off including 28Mt @ 57.4% Fe using a 55% Fe lower cut-off).

This work will contribute to the Scoping Study with the resource modelling expected to be completed early in the March 2009 Quarter.

#### **Central Marra Mamba (CMM) Prospect**

Diamond core drilling (PQ3 diameter) was completed at the CMM (and SMM) Prospects during the Quarter to provide samples for metallurgical testwork and ore characterisation studies. This work, which also being undertaken by Mets Pty Ltd, is expected to be completed within the March 2009 Quarter and will contribute to the current Scoping Study.

Using data from the RC and diamond drilling programs recently completed at CMM, QG has commenced resource modelling to determine initial JORC resources for the CMM mineralisation.

This work will contribute to the Scoping Study, with the resource modelling expected to be completed early in the March 2009 Quarter. As part of this work, QG will also delineate the high-grade (+60% Fe) component of the iron ore resources at this prospect.

#### **South Marra Mamba (SMM) Prospect**

Diamond core drilling (PQ3 diameter) was completed at the SMM (and CMM) Prospects during the Quarter to provide samples for metallurgical testwork and ore characterisation studies. This work, which is also being undertaken by Mets Pty Ltd, is expected to be completed within the March 2009 Quarter and will contribute to the current Scoping Study.

Using data from the RC and diamond drilling programs recently completed at SMM, QG has commenced resource modelling to determine JORC resources for the SMM deposit. This work will contribute to the Scoping Study, with the resource modelling expected to be completed early in the March 2009 Quarter. As part of this work, QG will also delineate the high-grade (+60% Fe) component of the iron ore resources at this prospect.

### **WANDANYA MANGANESE/IRON PROJECT** (100% Talisman)

*The Wandanya Project is located in the East Pilbara manganese field, approximately 20km south west of the Woodie Woodie Manganese Operations (operated by Consolidated Minerals Limited, a subsidiary of Palmary Enterprises). Initial reconnaissance exploration at Wandanya has indicated the potential for high-grade manganese mineralisation, including several small, scattered outcrops of manganese mineralisation grading up to 65% Mn. The tenements also contain projected northerly extensions of the Marra Mamba Iron Formation (MMIF).*

During the Quarter, a program of detailed airborne geophysics (comprising a SkyTEM – a Transient Electro-Magnetic helicopter-mounted survey as well as on-board airborne magnetics) was completed over target areas within the Wandanya Project in order to assist with the definition of ferro-manganese drill targets within this proven manganese province.

Results from this survey are currently being processed by the consultant and should be available early in the March 2009 Quarter.

## TRILLBAR POLYMETALLIC PROJECT (80% Talisman)

The Trillbar Project is located in Western Australia's Peak Hill Gold Field. Initial exploration work has highlighted the potential to define a significant gold resource similar to that at the Fortnum Gold Mine, located 60km to the north east. Work completed to date has expanded the existing gold resource at the Boundary Prospect (Inferred Resource of 423,090 tonnes at 2.55g/t Au for 34,670oz). The Trillbar Project area also hosts extensive Banded Iron Formations with the potential for substantial high-grade hematite resources typical of the Mid West region of Western Australia.

Much of the drilling program previously delayed by heritage clearances, was completed during the Quarter as surveys to clear the remaining planned drilling programs were carried out.

The exception was most of the planned traverses at the Northern Iron Formation (NIF), which was abandoned due to problems in obtaining the required native title claimants. As a result, only two partial drill traverses in low priority areas were able to be completed during the Quarter.

### Gold

Highlights from the drilling program are shown in the following table, with intercepts from the VHF Prospect defining a narrow gold-mineralised structure, with intercepts up to **8m @ 1.07g/t gold** and **3m @ 2.56g/t gold**:

**Table 1: RC Drilling Intercepts, VHF Prospect, December 2008 Quarter**

VHF Prospect						
Hole	East	North	From	To	Intercept	Grade
TRC104	586742	7167278	no significant results			
TRC105	586745	7167321	no significant results			
TRC106	586744	7167357	no significant results			
TRC107	586739	7167396	no significant results			
TRC108	585338	7167189	no significant results			
TRC109	585338	7167229	27	28	1	0.67
TRC110	585340	7167272 (incl.	9	17	8	1.07
			11	13	2	1.73
			61	62	1	0.58
TRC111	585342	7167310	46	49	3	2.56
TRC143	586747	7167378	no significant results			
TRC144	586743	7167420	no significant results			
TRC145	585340	7167248	no significant results			
TRC146	585341	7167290	76	80	4	1.50 c
TRC147	585343	7167329	no significant results			

Note: c = 4m composite sample, to be split

Results from other prospects drilled (Hilltop, Mosleys', Jules, and Boundary Extensions) did not define any gold mineralisation of note.

### Iron Ore

Intercepts from the abbreviated drilling program at the NIF prospect failed to define significant gold mineralisation (in a possible extension of the Livingstones Find mineralisation). While drilling did intersect the targeted macro-plathey hematite mineralisation at the two low-priority targets, thicknesses and grades of the mineralised unit were not of significance.

## UAROO POLYMETALLIC PROJECT (100% Talisman)

This is a newly acquired project, located in the Gascoyne Region of WA. Reconnaissance surface geochemical exploration (stream sampling and rock chip sampling) was completed late in the December Quarter, with results from this work due early in the March 2009 Quarter.

**YAMADA IRON ORE PROJECT** (100% Talisman,)

No exploration activities were completed during the Quarter.

**ANTICLINE POLYMETALLIC PROJECT** (100% Talisman, Iron Ore rights held by FMG Ltd)

No exploration activities were completed during the Quarter.

**TOM PRICE POLYMETALLIC PROJECT** (100% Talisman, Iron Ore rights held by FMG Ltd)

No exploration activities were completed during the Quarter.

**YILGALONG POLYMETALLIC PROJECT** (100% Talisman)

No exploration activities were completed during the Quarter.

**EAST KIMBERLEY POLYMETALLIC PROJECT** (100% Talisman)

No exploration activities were completed during the Quarter.

**MAITLAND GOLD PROJECT** (100% Talisman)

No exploration activities were completed during the Quarter.

Yours sincerely



Alan A Senior  
Chairman

**For further information, please contact:**

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**For media inquiries, please contact:**

**Nicholas Read – Read Corporate on +61 419 929 046**

Information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Harry Cornelius who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius 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 Harry Cornelius consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TALISMAN MINING LIMITED

ABN

71 079 536 495

Quarter ended ("current quarter")

31 DECEMBER 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(1,255)	(2,858)
(b) development	-	-
(c) production	-	-
(d) administration	(278)	(535)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	36	105
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Research and Development Tax Rebate)	-	147
<b>Net Operating Cash Flows</b>	<b>(1,497)</b>	<b>(3,141)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(30)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(30)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,497)</b>	<b>(3,171)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,497)	(3,171)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	35	35
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(8)	(16)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	27	19
	<b>Net increase (decrease) in cash held</b>	(1,470)	(3,152)
1.20	Cash at beginning of quarter/year to date	5,706	7,388
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	4,236	4,236

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	105
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Remuneration to director's and their associates.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	320
4.2 Development	-
<b>Total</b>	<b>320</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	236	5,706
5.2 Deposits at call	4,000	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>4,236</b>	<b>5,706</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E52/1607	50% compulsory reduction	80%	80%
	ELA52/2164	Application relinquished	80%	0%
6.2 Interests in mining tenements acquired or increased	ELA04/1874	Application	0%	100%
	ELA08/1937	Application	0%	100%
	ELA08/1939	Application	0%	100%
	ELA20/0694	Application	0%	100%
	ELA38/2223	Application	0%	100%
	MLA47/1423	Application	0%	100%
	MLA47/1424	Application	0%	100%
	MLA47/1425	Application	0%	100%
	ELA51/1293	Application	0%	100%
	ELA52/2281	Application	0%	100%
	ELA52/2282	Application	0%	100%
	ELA52/2292	Application	0%	100%
	ELA52/2298	Application	0%	100%
ELA52/2313	Application	0%	100%	

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	75,463,047	75,463,047		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	175,000	175,000	20 cents	20 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	24,652,257 2,222,000 1,400,000 1,500,000 1,500,000 1,500,000 1,500,000 500,000 500,000 500,000 500,000	24,652,257 - - - - - - - - - -	<i>Exercise price</i> 20 cents 25 cents \$1.20 \$1.00 \$1.20 \$1.60 \$2.20 \$1.00 \$1.20 \$1.60 \$2.20	<i>Expiry date</i> 31 Dec 2010 31 Dec 2010 31 Dec 2010 30 Nov 2010 30 Nov 2010 30 Nov 2010 30 Nov 2010 31 May 2011 31 May 2011 31 May 2011 31 May 2011
7.8 Issued during quarter				
7.9 Exercised during quarter	175,000	175,000	20 cents	31 Dec 2010

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 20 January 2009  
(Company Secretary)

Print name: Darren Crawte

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.