



Talisman Mining Limited

ABN 71 079 536 495

**Financial report for the half-year ended
31 December 2009**

Corporate Directory

Board of Directors

Mr Alan Senior	Non Executive Chairman
Mr Gary Lethridge	Managing Director
Mr Peter Langworthy	Technical Director
Mr Brian Dawes	Executive Director
Ms Karen Gadsby	Non Executive Director

Company Secretary

Mr Daniel Madden

Registered & Principal Office

Ground Floor, 6 Centro Avenue
SUBIACO WA 6008
Tel + 61 8 9380 4230
Fax + 61 8 9382 8200

Auditor

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Share Registry

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Securities Exchange

Australian Securities Exchange Limited
Level 8, Exchange Plaza, 2 The
Esplanade
PERTH, WA 6000
ASX Codes: TLM, TLMO

**Financial report for the
half-year ended 31 December 2009**

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Directors' report

The directors of Talisman Mining Limited submit the financial report of the Company for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Alan Senior	Non Executive Chairman
Gary Lethridge	Managing Director
Peter Langworthy	Technical Director
Brian Dawes	Executive Director
Karen Gadsby	Non Executive Director

Review of Operations

During the half-year period the Company continued its mineral exploration activities with a primary focus on its portfolio of VMS Copper/Gold exploration projects across the prospective Bryah Basin region in Western Australia.

Activities undertaken at the Springfield prospect in the Bryah Basin over the past six months include geological mapping, completion of extensive geochemical sampling programs, commencement of moving loop electromagnetic surveys, signing of a regional access agreement and successful completion of the first phase of ground clearances with the traditional owners and the granting of key Exploration Licences.

During the half-year period the Company added to its portfolio of projects in the Bryah Basin by acquiring the Halloween Copper-Gold Project on 11 December 2009 and securing three Exploration Licenses at the Shelby Project.

Other activities during the half-year included the farm-out of manganese exploration projects in the East Pilbara region of Western Australia on 13 October 2009 to manganese explorer Shaw River Resources Limited and the undertaking of exploration activities at other regional exploration projects located within Western Australia.

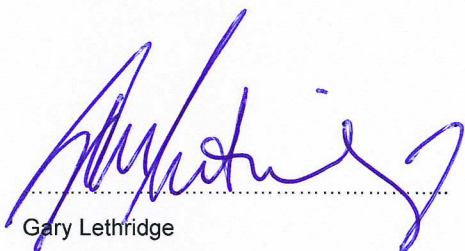
Information in the review of operations that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Harry Cornelius, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Harry Cornelius is a full time employee of Talisman Mining Ltd and has sufficient 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 the review of operations of the matters based on information in the form and context in which it appears.

Directors' report (continued)

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Gary Lethridge
Managing Director
12 March 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Talisman Mining Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Talisman Mining Limited.



Perth, Western Australia
12 March 2010

L DI GIALLONARDO
Partner, HLB Mann Judd

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Notes	31-Dec-09 \$	31-Dec-08 \$
Continuing operations			
Other income		337,493	154,461
Employee benefits expense	2	(1,667,301)	(1,091,798)
Depreciation and amortisation expense		(16,740)	(18,086)
Exploration expenditure expensed as incurred		(245,190)	(609,003)
Finance costs		(545)	(1,750)
Administrative expenses		(369,067)	(314,463)
Other expenses		(111,894)	(104,083)
Loss before income tax expense		(2,073,244)	(1,984,722)
Income tax expense		-	-
Loss after tax from continuing operations		(2,073,244)	(1,984,722)
Net loss for the period		(2,073,244)	(1,984,722)
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets		100,000	-
Other comprehensive income for the period, net of tax		100,000	-
Total comprehensive loss for the period		(1,973,244)	(1,984,722)
Loss per share:			
Basic loss per share (cents per share)		2.24	2.63

Dilutive loss per share has not been calculated as it does not increase loss per share.

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	31-Dec-09 \$	30-Jun-09 \$
Assets			
Current Assets			
Cash and cash equivalents		6,944,249	6,588,990
Trade and other receivables		77,254	112,225
Total Current Assets		7,021,503	6,701,215
Non-Current Assets			
Receivables		165,126	157,526
Other financial assets		250,000	-
Property, plant and equipment		177,053	118,926
Deferred Exploration and evaluation expenditure	3	10,327,329	9,333,730
Total Non-Current Assets		10,919,508	9,610,182
Total Assets		17,941,011	16,311,397
Liabilities			
Current Liabilities			
Trade and other payables		261,555	109,373
Provisions		48,625	40,451
Borrowings		3,391	5,483
Total Current Liabilities		313,571	155,307
Non-Current Liabilities			
Borrowings		-	510
Total Non-Current Liabilities		-	510
Total Liabilities		313,571	155,817
Net Assets		17,627,440	16,155,580
Equity			
Issued capital	4	21,870,979	19,785,934
Reserves	5	5,090,628	3,630,569
Accumulated losses		(9,334,167)	(7,260,923)
Total Equity		17,627,440	16,155,580

The accompanying notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Notes	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Share-based Payments Reserve	Option Premium Reserve	Total Equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2008		16,458,284	(3,642,171)	-	1,613,770	176,326	14,606,209
Loss for the period		-	(1,984,722)	-	-	-	(1,984,722)
Total comprehensive income for the period		-	(1,984,722)	-	-	-	(1,984,722)
Shares issued during the half-year		35,000	-	-	-	-	35,000
Recognition of share-based payments		-	-	-	866,590	-	866,590
Balance at 31 December 2008		16,493,284	(5,626,893)	-	2,480,360	176,326	13,523,077
Balance at 1 July 2009		19,785,934	(7,260,923)	-	3,454,243	176,326	16,155,580
Loss for the period		-	(2,073,244)	-	-	-	(2,073,244)
Net change in fair value of available-for-sale financial assets		-	-	100,000	-	-	100,000
Total comprehensive income for the period		-	(2,073,244)	100,000	-	-	(1,973,244)
Shares issued during the half-year	4	2,075,505	-	-	-	-	2,075,505
Recognition of share-based payments	5	-	-	-	1,369,599	-	1,369,599
Transfer on exercise of options	5	9,540	-	-	-	(9,540)	-
Balance at 31 December 2009		21,870,979	(9,334,167)	100,000	4,823,842	166,786	17,627,440

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31-Dec-09	31-Dec-08
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(698,859)	(560,915)
Finance costs	(545)	(164)
Interest received	149,378	105,075
Research and development tax rebate	-	146,574
Net cash used in operating activities	(550,026)	(309,430)
Cash flows from investing activities		
Payments for property, plant and equipment	(74,904)	(30,055)
Proceeds from sales of property, plant and equipment	-	500
Payments for exploration and evaluation expenditure	(1,039,714)	(2,832,663)
Proceeds from joint venture agreement	50,000	-
Net cash used in investing activities	(1,064,618)	(2,862,218)
Cash flows from financing activities		
Proceeds from issue of shares	2,021,805	35,000
Payments for share issue costs	(49,300)	-
Payment of finance lease liabilities	(2,602)	-
Proceeds from borrowings	-	(16,112)
Net cash provided by financing activities	1,969,903	18,888
Net increase/(decrease) in cash held	355,259	(3,152,760)
Cash and cash equivalents at the beginning of the period	6,588,990	7,388,898
Cash and cash equivalents at the end of the period	6,944,249	4,236,138

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Talisman Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Basis of preparation

The interim report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

In the half-year ended 31 December 2009, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Company performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 or impaired to profit or loss. As a result of this review, management has determined that there is no expenditure required to be impaired.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009.

The accounting policy to be effected by the change is as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment Reporting

The Company has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Board of Talisman Mining Limited.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	31-Dec-09	31-Dec-08
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Share based payments expense	1,369,599	866,590

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Half-year to 31/12/2009	Year to 30/06/2009
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	9,333,730	6,930,307
Expenditure incurred	993,599	2,705,521
	10,327,329	9,635,828
Expenditure impaired	-	(302,098)
	10,327,329	9,333,730

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 4: ISSUED CAPITAL

	31-Dec-09	30-Jun-09
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	21,870,979	19,785,934

	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2009	86,782,503	19,785,934
Share placement at 30 cents	6,219,997	1,865,999
Exercise of listed options at 20 cents	779,027	155,806
Shares issued to acquire exploration tenements	129,870	100,000
Share issue costs	-	(46,300)
Transfer from option premium reserve	-	9,540
At 31 December 2009	93,911,397	21,870,979

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 5: OPTIONS

	No.	\$
<i>Movements in options over ordinary shares on issue</i>		
At 1 July 2009	39,274,257	3,630,569
Directors' remuneration	6,000,000	1,144,127
Employees' remuneration	1,200,000	225,472
Transfer on exercise of listed options	(779,027)	(9,540)
At 31 December 2009	<u>45,695,230</u>	<u>4,990,628</u>

NOTE 6: SEGMENT REPORTING

The Company continues to operate in one geographical segment, being Western Australia and in one operating category, being mineral exploration and evaluation.

The chief operating decision-maker has been identified as the Board of Talisman Mining Limited and information reported to the Board for the purpose of resource allocation and assessment of performance is focused on mineral exploration and evaluation within Western Australia. Consequently the company reports within one segment.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

The Company issued a total of 10,572,227 fully paid ordinary shares at 90 cents each on 24 February 2010 following the completion of a private placement to sophisticated investors to raise approximately \$9,515,004 before share issue costs.

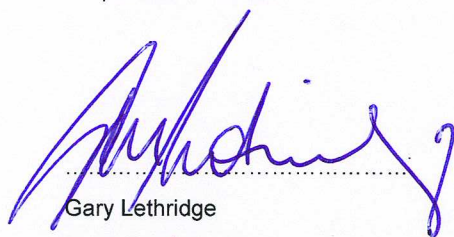
There have been no other material events subsequent to reporting date.

DIRECTORS' DECLARATION

In the opinion of the directors of Talisman Mining Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Gary Lethridge
Managing Director

12 March 2010

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of
TALISMAN MINING LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration of Talisman Mining Limited ("company").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Talisman Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Talisman Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

Perth, Western Australia
12 March 2010

L DI GIALLONARDO
Partner